



The Never Ending Job
Sustainability Report

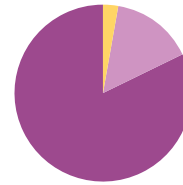
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IKEA AT A GLANCE*

* FINANCIAL YEAR 2009 (1 September 2008 to 31 August 2009)

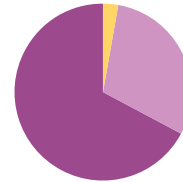
THE IKEA GROUP opened 15 new stores last year and in August 2009 had 267 stores, which welcomed a total of 590 million visitors during the year. A further 34 stores are owned and run by franchisees outside the IKEA Group.

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



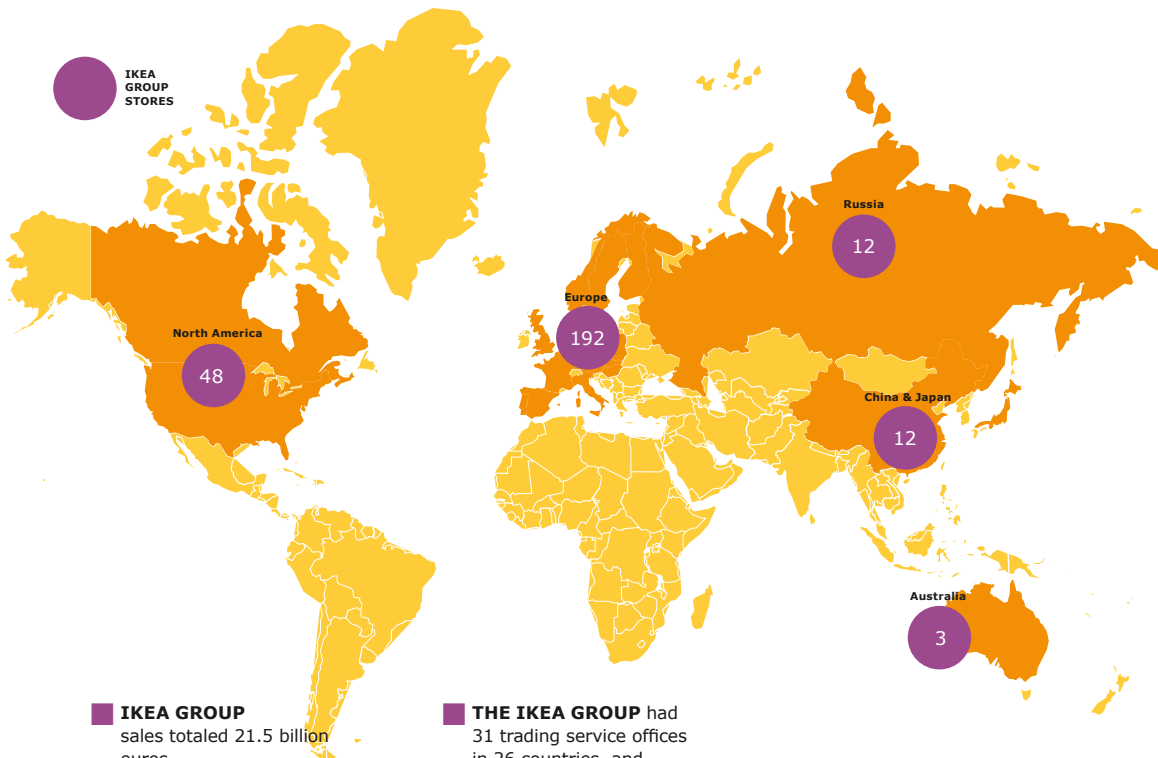
SALES PER REGION

- Asia and Australia 5%
- North America 15%
- Europe 80%



PURCHASING PER REGION

- North America 3%
- Asia 30%
- Europe 67%



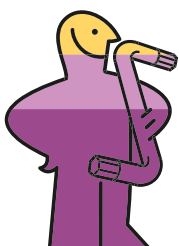
IKEA GROUP sales totaled 21.5 billion euros.

IKEA FOOD SERVICES reported sales of 1.03 billion euros.

IKEA SUPPLIERS numbered 1,220 in 54 countries.

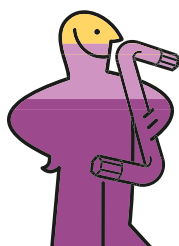
THE IKEA GROUP had 31 trading service offices in 26 countries, and 28 distribution centres and 11 customer distribution centres in 16 countries.

THE SWEDWOOD GROUP, the IKEA industrial group had 15,000 co-workers and 46 production units.



CO-WORKERS BY FUNCTION

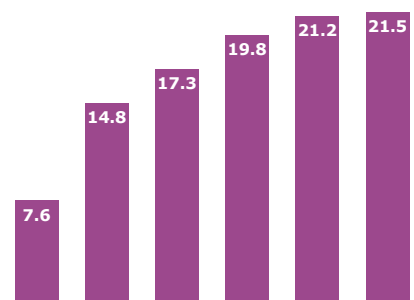
- Purchasing, distribution, wholesale, range and other 13,800
- Swedwood Group 15,000
- Retail 94,200



CO-WORKERS BY REGION

- Asia and Australia 7,800
- North America 15,500
- Europe 99,700

Sales 1999–2009 (in billions of euros)



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ABOUT THIS REPORT

This report describes the sustainability work carried out on a global level by the IKEA Group during financial year 2009, from 01 September 2008 to 31 August 2009 (FY09).

HOW TO READ THIS REPORT

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

Each chapter provides a description of developments during FY09 and our systematic work in many areas. We use key performance indicators (KPIs) to show results against our targets. Most of these targets were set for FY09, and the work to develop new targets will be completed during FY10.

In the final chapter we have gathered the metrics presented throughout this report. This report is our communication on progress (CoP) as a signatory to the UN Global Compact, and a cross reference list shows how we implement the ten principles of the UN Global Compact in our operations.

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WOULD YOU LIKE TO KNOW MORE?

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



WE WELCOME YOUR INPUT

Please feel free to send your feedback and/or questions about this report to us at sustainability.report.se@ikea.com or pressesenter@ikea.com

We will make a difference together with our customers

On behalf of all us who work towards the IKEA vision to create a better everyday life for the many people, I'd like to welcome you to the IKEA Sustainability Report 2009.

Keeping the vision relevant today and tomorrow means that we must keep pace with the reality of people who have more needs and more dreams than they have money. Our low prices are more important than ever. And by offering the right products at the right prices we will help our customers live a more sustainable life at home.

IKEA has an important role to play in terms of taking responsibility for people and the environment. This is why sustainability is one of four cornerstones in the new Group strategy "Growing IKEA – together".

We have a strong foundation to build on – it is in our culture to twist and turn established truths to find a new angle, a new idea, and to have the courage to try to do things differently. IKEA is obsessed with making more from less, and we hate to waste resources of any kind. This will continue to be our compass in years to come, and we will stimulate new thinking and innovation in our sustainability work.

Innovation is needed to build sustainable solutions into the IKEA range and to tackle some of the global challenges society faces. We need to identify and use more resource efficient materials and develop better solutions for reusing and recycling IKEA products once our customers no longer want them.

I believe IKEA together with our customers, co-workers, suppliers and the rest of society can make a big difference. The 50 million low-energy bulbs purchased at IKEA in the past three years represent energy savings equivalent to the output of four and a half nuclear plants, and substantial reductions of carbon dioxide emissions. This gives just a hint of the potential that lies in the word "together"!

IKEA will continue to work together with external stakeholders and partners such as WWF, UNICEF and Save the Children. We stimulate and learn from each other, and this will always mean that we can achieve so much more together than we ever could by working on our own.

"Innovation is needed to build sustainable solutions into the IKEA range"

Mikael Ohlsson
President and CEO, IKEA Group



Mikael Ohlsson
President and CEO,
IKEA Group



Milestone decisions will give us new momentum

The IKEA Sustainability Report highlights progress in many areas this year, but I am particularly pleased with our strategy work for FY10–15.

Each and every one of our business strategies – whether local, national or global – must now clearly and systematically integrate sustainability as a part of everyday operations. I see this as a milestone. It will help us move forward in our relentless work with the many challenges we have to solve on our route to becoming a sustainable company.

This applies not least to our long and complex supply chain. Working conditions, carbon dioxide emissions and access to raw materials that are produced in a more sustainable manner remain challenging areas. Still, we are seeing significant improvements every year, and I feel optimistic that IKEA will contribute to big improvements in cooperation with our partners and stakeholders.

Looking at one of our climate projects, I am delighted with the decision to equip 150 of our stores and distribution centres with solar panels for electricity production. This represents a big step forward towards our long-term direction of running all IKEA buildings on 100 percent renewable energy.

IKEA has also decided to reinforce the overall commitment to tackle climate change by expanding our cooperation with WWF in four new projects. And I am proud to say that IKEA Social Initiative has become the biggest corporate partner to both UNICEF and Save the Children after having made commitments that will benefit more than 100 million children in the next few years.

Last but not least I am happy to introduce the “Never Ending List” with you. We have started to continuously collate the many large and small improvements on the IKEA web site, and for use in the IKEA catalogue and in our stores.

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

HIGHLIGHTS 2009

- Decision to integrate sustainability in all IKEA strategies
- Decision to equip 150 IKEA buildings with solar panels
- Four new climate projects with WWF
- IKEA Social Initiative projects to benefit more than 100 million children
- Launch of the Never Ending List



Thomas Bergmark
Sustainability Manager,
IKEA Group



Sustainability is part of our vision, and a never ending job

The IKEA vision is to create a better everyday life for the many people. This includes a lot more than just providing a great home furnishing offer. It is also about taking social and environmental responsibility towards IKEA customers, co-workers and the people who produce our products. The decision to integrate sustainability in all IKEA business strategies is a milestone for our continued work towards becoming a sustainable company.

ALL STRATEGIES TO INCLUDE SUSTAINABILITY

IKEA sees taking responsibility for people and the environment as a condition for doing good business. We want sustainability to be a natural part of everyday work at IKEA, and this is why one of four main points in the overall long-term direction for the IKEA Group "Growing IKEA – together" is that sustainability must be an integrated part of our business.

We see the decision to integrate goals with KPIs for sustainability into each and every one of IKEA business strategies as a milestone that will help IKEA move forward in the right direction FY10-15. The global input to the regional, national and local business strategies that are to be developed focuses on a handful of areas:

IKEA WANTS TO...

- offer solutions and know-how that help customers live a more sustainable life at home
- use natural resources in a sustainable manner within the entire value chain
- minimise the carbon footprint from all IKEA related operations
- take social responsibility, and act as a good global and local citizen
- be transparent to all stakeholders, and communicate more to customers and co-workers

RAISING AWARENESS WITH MORE COMMUNICATION

We want to communicate more to our customers and co-workers, and will introduce The "Never Ending List" internally as well as in the IKEA catalogue, IKEA stores, IKEA Family Live Magazine and on www.ikea.com at the start of FY10.

All IKEA co-workers will also have access to an e-learning tool as of FY10 to learn the basics of what IKEA is doing to become more sustainable, and how each and everyone can contribute.



Making improvements for a better and a more sustainable company is a never ending job. There is always more work to be done, but we like to keep track of achievements, too.

Progress in key areas is documented on an annual basis in this report. In addition, we have started to collate the many large and small improvements in the continuously updated "Never Ending List" on the web.

Please read the entire list at www.ikea.com

THE WAY WE WORK

LOW PRICE, BUT NOT AT ANY PRICE

Our business idea is to offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. Keeping prices low is a cornerstone of the IKEA business idea, yet our low prices must not be at the expense of people or the environment.

IKEA has decided to contribute to creating a world where we take better care of the environment, the earth's resources, and each other. While this is a never ending job, it is in the IKEA culture to constantly ask ourselves how what we are doing today can be done better tomorrow.

We have many big challenges to tackle in order to become more sustainable. Addressing climate change and diminishing natural resources requires cooperation with others, and it will take time to achieve substantial results. But in alliance with important stakeholders, IKEA can go from doing things right to doing the right things.

GLOBAL COMPACT'S GUIDING PRINCIPLES

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

Please see page 74
Communication on progress



THE IKEA CULTURE IS KEY

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

Every IKEA manager is responsible for including sustainability issues in the daily work within his or her area of responsibility. To support them, there are a number of social and environmental specialists covering a wide range of areas, such as chemical experts, forestry specialists, energy experts, code of conduct specialists and auditors. In addition, all IKEA stores and distribution centres have social and environmental co-ordinators who work with sustainability related training, working conditions, safety, waste management, and water and energy conservation.

WORKING TOGETHER WITH OTHERS

IKEA cooperates with companies, trade unions, NGOs and organisations to develop and strengthen the impact of our work within the social and environmental field. By sharing experiences and learning from others we can accomplish more than we could have done by working on our own.

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

Listening to our stakeholders and exploring the future

IKEA stakeholders include suppliers and their employees, co-workers, customers and others. By listening to them and engaging in dialogue with other companies, trade unions and NGOs, we are able to learn and share experiences that help us accomplish more than we could have done by working on our own. Their feedback helps IKEA move towards a more sustainable company.

CHALLENGING DIALOGUE HELPS IKEA MOVE FORWARD

Dialogue is key to development, and we adapt better to a changing world by taking help from others in exploring what the future holds for IKEA and society in general. A three-day "Future Search" workshop with both internal and external stakeholders was a milestone that gave us invaluable input to our strategic direction for FY10-15 and beyond.

Future Search gathered 75 of our co-workers, suppliers, organisations and experts – including WWF, Greenpeace, UNICEF, Save the Children and Oxfam – to examine and challenge the IKEA vision and business idea from a sustainability perspective. Together we defined what sustainability means to IKEA: Wherever we are, we act with respect to exert a positive impact on people and on the limited resources of our planet to ensure long-term profitability.

Sustainability should be seen as part of the IKEA business idea, and therefore we have decided that sustainability must be integrated into each and every one of IKEA's business strategies, and in our product range. We will lead developments with innovation and technical know-how and be transparent to our stakeholders.

Our commitment to become a more sustainable company is a huge challenge, that will take time and effort to realise. And we will need continuous support from knowledgeable partners. One example of concrete responses to these insights is the expanded cooperation with WWF. Together, we have started four new climate projects. One of those is specifically designed to find new ways for our customers to take care of IKEA products at the end of their life-cycle.

[Read more on page 49](#)

Environmental challenges



[Read more on page 63](#)

Climate



INTRODUCTION

STAKEHOLDERS

THE WAY WE WORK

IKEA SUPPLIERS AND THEIR EMPLOYEES

IKEA is a production-oriented company, and we strive to build long-term relationships with suppliers that share our values and who want to grow and develop together with IKEA.

Many ideas for design and product development are born on the factory floor when IKEA co-workers are on-site, and this close relationship opens up for frank and honest dialogue also about more difficult topics related to environmental and social issues. For a supplier, investments in working conditions and the environment can lead to more orders, better productivity and improved profitability.

Every three years, IKEA conducts a supplier survey to collect feedback from our suppliers on our relationship. The feedback is given anonymously to protect suppliers and encourage frank and open input.

[Read more on page 13](#)

Suppliers



IKEA CO-WORKERS

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

IKEA conducts an annual company-wide survey to collect feedback from co-workers. We want to learn what motivates them and what they are dissatisfied with, so that IKEA can keep improving as an employer. The survey is completed anonymously to encourage honest feedback.

[Read more on page 31](#)

Co-workers



IKEA CUSTOMERS

Customers should always feel confident that the products they purchase from IKEA are safe to use, produced under adequate social and environmental conditions and good quality. Customer feedback on individual products is systematically documented in case of returns and/or complaints so that IKEA can take action when needed. Any indication of safety

problems will immediately be followed by global measures to prevent injury and/or health hazards.

To collect structured feedback from customers, IKEA conducts market research through the “Brand Capital” survey – a tool to monitor and improve the implementation of the IKEA concept and to measure customer satisfaction in each market. The survey is conducted once a year.

In addition, we monitor how satisfied customers are with their local IKEA store through the annual “Customer Satisfaction Index” (CSI) survey. The survey provides an international benchmark for the stores, and ensures that customer satisfaction issues are regularly addressed.

[Read more on page 37](#)

A generous return policy



COMMUNITIES

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

[Read more on page 43](#)

Communities



NGOS AND OTHER STAKEHOLDERS

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

[Read more on page 10](#)

List of key organisations



List of key organisations

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

Better Cotton Initiative (BCI) aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more sustainable, and works to develop globally accepted criteria for "Better Cotton". The BCI is a collaborative, multi-stakeholder effort initiated by WWF, the global conservation organisation, and the International Finance Corporation. Leading participants are international companies and NGOs. IKEA is one of the founding members of the BCI.

Read more at www.bettercotton.org

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. Since 1998 BWI and IKEA have had a long-term cooperation and an agreement based on the IKEA code of conduct, IWAY. IKEA and BWI meet regularly to exchange experiences, discuss working conditions and address topics of social responsibility.

Read more at www.ifbww.org

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

Read more at www.bsr.org

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

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

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

Read more at www.ciwf.org.uk/

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

Read more on www.errt.org

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

Read more at www.fsc.org

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

Read more at www.unglobalcompact.org

Global Forest & Trade Network (GFTN) is WWF's initiative to eliminate illegal logging and drive improvements in forest management. Participants are committed to promoting responsible forestry and credible certification. IKEA is part of this network as we have global purchasing and forestry operations in IKEA's five most important wood sourcing countries: Russia, Poland, China, Romania and Sweden.

Read more at www.gftn.panda.org

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

Read more at <http://www.gscpnet.com/>

INTRODUCTION

STAKEHOLDERS / LIST OF KEY ORGANISATIONS

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

Read more at www.greenpeace.org

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

Read more at www.ilo.org

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

Read more at www.ntm.a.se

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

Read more at www.rainforest-alliance.org

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

Read more at www.rspo.org

Save the Children is the world's largest independent organisation for children working to secure children's rights and improve children's lives in over 125 countries worldwide. From emergency relief to long-term development, Save the Children helps children achieve a happy, healthy and secure childhood by securing and protecting children's rights to food, shelter, health care, education and to freedom from violence, abuse and exploitation. Save the Children listens to children, involves children and ensures their views are taken into account. Working on both a governmental level with decision makers and on the ground close to the children and the communities, Save the Children delivers immediate and lasting improvements to children's lives. The IKEA Social Initiative and Save the Children have worked

together since 1994 to develop long-term projects that will make a change for more children around the world. Save the Children has a corporate partnership with IKEA, working together on both a global and local level.

Read more at www.savethechildren.net

UNICEF, the United Nations Children's Fund is on the ground in over 150 countries and territories to help children survive and thrive, from early childhood through adolescence. The world's largest provider of vaccines for developing countries, UNICEF supports child health and nutrition, good water and sanitation, quality basic education for all boys and girls, and the protection of children from violence, exploitation, and AIDS. UNICEF is funded entirely by the voluntary contributions of individuals, businesses, foundations and governments. The IKEA Social Initiative has supported UNICEF programmes for more than a decade. UNICEF has a corporate partnership with IKEA, working together on both a global and local level.

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

UNDP, the United Nations Development Programme is the UN's global development network, an organisation advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. UNDP is on the ground in 166 countries, working with them on their own solutions to global and national development challenges. Their focus is to help countries build and share solutions to the challenges of democratic governance, poverty reduction, crisis prevention and recovery, environment and energy and HIV/AIDS. In all their activities, UNDP encourages the protection of human rights and the empowerment of women. IKEA Social Initiative cooperates with UNDP in a women's empowerment project in Uttar Pradesh, India.

Read more at www.undp.org

UTZ Certified is an independent, non-profit organisation that operates the world's largest and fastest growing certification programme for responsible coffee and cocoa production. All coffee served and sold at IKEA is UTZ certified.

Read more at www.utzcertified.org

WWF, the global conservation organisation, is one of the world's largest and most experienced conservation organisation. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring the sustainable use of renewable natural resources and promoting the reduction of pollution and wasteful consumption. WWF and IKEA cooperate on projects 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

IMPROVEMENT #2

Some things can't be compromised – safety, respect for people of all ages, the environment. IWAY is our code of conduct, and it specifies the minimum requirements we place on suppliers. It also describes what they can expect from us in return. We have seen continuous improvements ever since IWAY was introduced in 2000.



Suppliers

Introducing a revised code of conduct

We want to work with suppliers who take responsibility for people and the environment, and who want to grow and develop with IKEA. As part of our continuous work to improve conditions in the supply chain, we have implemented a revised code of conduct, IWAY, and joined an industry collaboration exploring the possibility of developing global supply chain standards.

COLLABORATION ON GLOBAL SUPPLY CHAIN STANDARDS

IKEA has become an active member of the Global Social Compliance Programme (GSCP), an industry initiated program working towards a sustainable approach for the improvement of working and environmental conditions in global supply chains.

Today, suppliers face a number of different requirements and audits from different buyers which is expensive, time consuming and inefficient – both for suppliers and buyers. GSCP provides a platform for companies to

- build consensus on best practices and deliver a consistent message to suppliers globally to accelerate the improvement of working and environmental conditions;
- work in partnership with suppliers on the continuous improvement of working and environmental conditions through training and capacity building activities.

Read more at www.gscpnet.com
Global Social Compliance Programme



IMPLEMENTING AN UPDATED IWAY

IKEA requires suppliers of products and services to comply with our code of conduct, IWAY. We started the implementation of a revised IWAY in January 2009 following the work with updates in FY08. In addition to IWAY, there are supplements for industry specific requirements.

We focus on building the suppliers understanding of what they need to comply with so that they can select and implement the most suitable measures more independently.

THE WAY WE WORK

THE IKEA SUPPLY CHAIN

IKEA has thousands of suppliers and service providers covering the wide range of products and services required for world-wide operations. In addition to the 1,220 suppliers of home furnishing products in the IKEA range, there are food product suppliers, goods transport service providers, and companies that provide IKEA with indirect services and materials. In turn, most of these have a number of sub-suppliers.

Our main focus has been on IKEA home furnishing suppliers, and on supporting them in taking responsibility for people and the environment. IKEA co-workers are often on-site at these suppliers, and we believe our close and long-term relationships with them have contributed to many improvements. Over the past few years, IKEA has gradually increased its efforts to support developments also with the vast range of other suppliers and service providers.

NUMBER OF IKEA SUPPLIERS

IKEA Home Furnishing suppliers	1,220
IKEA FOOD suppliers	97
IKEA Catalogue paper suppliers	18
IKEA Transport service providers	278

CLOSE AND LONG-TERM RELATIONSHIPS

The supply chain is often long and complex with numerous sub-suppliers. Many IKEA home furnishing suppliers operate in developing countries that struggle with social and environmental challenges.

We believe IKEA contributes to positive developments in the supply chain by being on site and conducting responsible business, and by cooperating with others, including companies, authorities, NGOs and other organisations.

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

SUPPLIERS

CODE OF CONDUCT

THE CODE OF CONDUCT IWAY

IWAY is the IKEA code of conduct, first introduced in 2000. It specifies the requirements that we place on suppliers of products and services and details what they can expect in return from IKEA. In addition to the main document, there are several industry-specific supplements and a special code of conduct for child labour. IKEA suppliers are responsible for communicating the content of the IKEA code of conduct to their employees and sub-suppliers.

Read more on page 15

Requirements in the IKEA code of conduct



THE IKEA WAY ON PREVENTING CHILD LABOUR

IKEA does not accept child labour and works actively to prevent it. All IKEA suppliers and sub-contractors must comply with a special code of conduct on child labour, The IKEA Way on Preventing Child Labour. It has been established in order to make the IKEA position on child labour clear to suppliers, their sub-contractors and their employees, as well as to other relevant parties. All actions taken shall be in the best interest of the child.

IKEA inspectors conduct regular audits to ensure that there are no children working on home furnishing supplier's premises all over the world. In addition, KPMG, a third-party auditor, conducts unannounced random checks at suppliers and their sub-contractors in India with special emphasis on child labour.

Read more on page 16

Requirements in The IKEA Way on Preventing Child Labour



IKEA DOES NOT ACCEPT CORRUPTION IN ANY FORM

IKEA does not accept corruption in any form, whether direct or indirect, and works proactively to prevent it. We clarify our position to suppliers through a vendor letter, 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 if they suspect fraud, corruption, theft and other illegal behaviour. Firm policies and continuous training together with a strong corporate culture, helps to minimise the risk of illegal behaviour in the IKEA organisation.

DIALOGUE WITH BWI ON WORKING CONDITIONS

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

The IKEA code of conduct – IWAY

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

1. LEGAL COMPLIANCE

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

2. START-UP REQUIREMENTS

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

- no child labour,
- no forced or bonded labour,
- no severe environmental pollution,
- no severe safety hazards,
- a transparent and reliable system for records of working hours and wages,
- insurance covering medical treatment for work related accidents to all workers.

3. ENVIRONMENTAL STANDARDS

Suppliers shall have plans in place to reduce the environmental impacts from their production and operations.

Suppliers must:

- work to reduce energy consumption,
- prevent pollution to air, ground and water,
- handle, store and dispose of chemicals and hazardous waste in an environmentally safe manner,
- ensure that workers handling chemicals and hazardous waste have the right competence and are adequately trained.

4. SOCIAL AND WORKING CONDITIONS

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

Suppliers must:

- provide a healthy and safe working environment
- provide health and safety training for workers
- ensure their buildings are safe, have reasonable privacy, are quiet and have facilities for personal hygiene, in those instances where housing facilities are provided,
- pay at least the minimum legal wage and compensate for overtime,
- base overtime on voluntary agreements, not exceeding legal limits,
- allow time off and regular breaks,
- not discriminate on any basis,
- not prevent workers from exercising collective bargaining activities,
- not accept corporal punishment, threats of violence or other forms of mental or physical coercion.

The IKEA Way on Preventing Child Labour

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. Below is a summary of the key points.

1. GENERAL PRINCIPLE

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

2. IMPLEMENTATION

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

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

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

3. YOUNG WORKERS

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

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

4. LABOUR FORCE REGISTER

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

5. MONITORING

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.

Extra resources devoted to home furnishing suppliers in challenging areas

IWAY was first introduced to IKEA home furnishing suppliers in 2000. Ever since, we have seen steady improvements and today our focus is on challenging areas. This is why we have devoted extra resources to help improve suppliers' IWAY compliance in Asia, and have started to tackle challenges deeper into more complex supply chains.

IMPLEMENTATING THE UPDATED IWAY

Much effort has been invested this year in the implementation of the updated IWAY, with a new approach. We focus on building the suppliers understanding of what they need to comply with so that they can select and implement the most suitable measures more independently. We want to motivate and support them to take responsibility and ownership themselves.

We have also further developed requirements relating to energy usage and environmental impacts as well as broadening and clarifying the scope of our requirements on the prevention of harassment and abuse of workers.

New suppliers are selected based on an expanded list of start-up requirements. This helps us to select suppliers that share our values and who want to grow and develop together with us. This in turn will further strengthen our long-term relationships with our suppliers.

INCREASED SUPPORT TO SUPPLIERS IN ASIA

Asia is an important purchasing region for IKEA, but is also one with social and environmental challenges. However, since IKEA introduced its code of conduct IWAY in 2000, we have seen continuous improvements at IKEA suppliers. Improvements have been significant in the past few years, and IKEA continues to devote extra resources to support Asian suppliers in their quest to live up to IWAY requirements.

IWAY project leaders have been appointed to focus on specific areas to support suppliers' improvements. Also, the audit frequency in Asia is higher than in other regions /countries or on average, so that each supplier is audited unannounced at least once per year.

Conditions and challenges differ between China, South Asia and South East Asia. Generally, production is more industrialised in China, while South Asia and South East Asia produce more craft products.

• China

In China we have seen major progress related to chemical and waste management, fire prevention and workers' health and safety. Our IWAY specialists have organised workshops with both new and established suppliers, including on-site training sessions and classroom training to support improvements.

There are still major challenges related to wages, working hours, overtime compensation, lack of unions and social insurance. One factor contributing to the difficulties is the high presence and mobility of migrant workers.

For example, there is a big gap between Chinese legislation regarding working hours and reality. Most factory workers work many more hours than the legislated 48 hours per week, and this is why IKEA has tried to set realistic goals based on the existing situation. Our short-term goal is to decrease working hours to a maximum of 60 hours per week by 2012 before we set out to achieve the long-term goal of full compliance with IWAY and legislation.

• South Asia

South Asia suppliers show significant improvements within working and living conditions as well as chemical and waste management. We also see major improvements related to water treatment in this region.

The region has many textile industries, and IKEA has several specialists supporting suppliers to improve their water management. They provide advice and help suppliers connect with other specialists, and today nearly all our Indian textile suppliers have appropriate waste water treatment plants. The next step will be to encourage and support supplier efforts to minimise water usage and introduce water recycling.

In textile production, home-based work is common in so called cottage industries. Auditing is difficult in such a complex supply chain, which is why our own audits are complemented by a high degree of third-party audits here.

Working hours remain a challenge, which needs to be tackled in various ways. One method that has proved successful is to encourage suppliers to introduce electronic control systems, including attendance record keeping software connected to payrolls. Bank accounts for workers make tracking payments easier, and some suppliers in India and Bangladesh have even installed automatic teller machines on the premises as a service for their workers.

SUPPLIERS

HOME FURNISHING SUPPLIERS

- **South East Asia**

In South East Asia, we have seen progress related to chemical and waste management, fire prevention and workers' health and safety among our more industrial suppliers.

Just like in South Asia, there are many small home-based cottage industries, so IKEA audits are again complemented by a high degree of third-party audits.

COOPERATION WITH BSR ON "ONE VOICE – BEYOND MONITORING"

Business for Social Responsibility (BSR) is an organisation developing socially responsible business solutions for many of the world's leading corporations. IKEA is part the BSR project "One Voice – Beyond Monitoring" to address corporate social responsibility challenges in China. Following last year's active dialogue with Chinese authorities, the focus this year has been to identify the areas in which to devote efforts to move forward. IKEA has also been involved in developing training courses to address the issues identified, for instance training programs to help Chinese workers better understand their rights.

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



INVESTIGATING THE BOVINE LEATHER SUPPLY CHAIN

IKEA initiated an investigation into the bovine leather supply chain following the Greenpeace report "Slaughtering Amazon" about how cattle ranches contribute to the deforestation of intact natural forests in some countries.

Today, IKEA can only trace our leather products as far back as to the tanneries. The investigation we started is a first step towards mapping the entire IKEA leather supply chain in order to secure suppliers' country of origin data.

IKEA also takes part in a hide traceability group with other retailers, slaughter houses and tanneries which is investigating how to build a traceability system all the way back to the slaughterhouses. We want to ensure that the bovine leather in IKEA products does not contribute to deforestation.

INVESTIGATING THE DOWN AND FEATHER SUPPLY CHAIN

Following a Swedish media report about live bird plucking, IKEA initiated a risk evaluation among down and feather sub-suppliers in several countries, primarily in China. Together with third-party auditors we performed unannounced audits in seven Chinese provinces, at slaughterhouses and all the way to remote bird farms in the countryside. The investigation revealed a wide-spread problem in this long and complex supply chain.

With the help of the International Down and Feather Testing Lab (IDFL) IKEA organised a round-table dialogue in China. Business for Social Responsibility (BSR) facilitated dialogues, which included representatives from other retailers and brands, the European Down and Feather Association and the Chinese Down and Feather Association. As a result, IKEA and other retailers have developed joint minimum requirements and a check-list for slaughterhouse auditing to address animal rights protection.

SUPPLIERS

HOME FURNISHING SUPPLIERS

THE WAY WE WORK

IWAY SUPPORT AND MONITORING

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

IKEA inspectors regularly visit suppliers to ensure that IWAY criteria are met. These visits can be both announced and unannounced. Over the last few years, the number of unannounced audits has increased substantially. These give us a more accurate picture of suppliers' factories, and help us focus support to specific areas of non-compliance.

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

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

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

SUPPLIERS RESPONSIBLE FOR IWAY AT SUB-SUPPLIERS

A sub-supplier is defined as a company supplying services, raw material, components, and/or production capacity to an IKEA supplier. These sub-suppliers are subject to the same IWAY requirements as our direct suppliers. It is the responsibility of the IKEA suppliers to ensure that their sub-suppliers acknowledge, understand and accept the IWAY requirements. However, the IKEA supply chain is often long and complex and ensuring IWAY compliance at many thousands of sub-suppliers' represents a major challenge.

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

[Read more on page 54](#)

Forestry

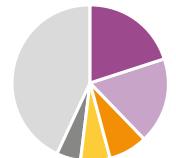


[Read more on page 15](#)

Requirements in the IKEA code of conduct IWAY

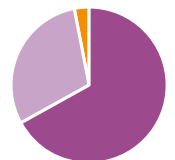
TOP 5 PURCHASING COUNTRIES

China, 20%
Poland, 18%
Italy, 8%
Germany, 6%
Sweden, 5%
Others, 43%



PURCHASING PER REGION

Europe, 67%
Asia, 30%
North America, 3%



SUPPLIERS

HOME FURNISHING SUPPLIERS

COMMENTS ON KPIS AND FIGURES 2009

Due to the implementation of the updated IWAY, the assessment standards have yet to be settled and therefore IKEA expects some uncertainties in the numbers for the first reporting rounds. For instance, the comparison between the FY09 break-down of average fulfilment rates for different regions with previous years, is misrepresentative in some aspects.

In terms of IWAY approved home furnishing suppliers, the biggest improvements are to be found in the Asian regions, where South Asia shows a significant improvement. Here, the indicators of working and living conditions at suppliers show strong progress, as well as for chemical and waste management. This region has also made major improvements related to water treatment.

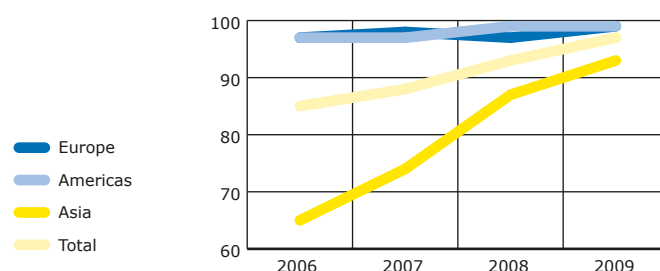
Only a few Chinese suppliers are fully IWAY approved. However, during FY09, the IWAY fulfilment rate for China improved significantly and we have seen progress related to overall working conditions and environment, such as chemical and waste management, fire prevention and workers' health and safety. There are still major challenges related to wages, working hours, overtime compensation, lack of unions and social insurance.

As a consequence of IKEA's decision to focus on challenging regions, the total number of audits has decreased from previous years while the number of unannounced audits continues to increase. Unannounced audits in Asia have increased significantly, and in some countries each supplier is audited unannounced at least once a year. In FY09, all audits conducted by third party organisations were unannounced.

KPI – SUPPLIERS / HOME FURNISHING SUPPLIERS

	2006	2007	2008	2009	Direction
IWAY approved home furnishing suppliers					
Europe	74%	78%	80%	79%	100%
Americas	62%	67%	91%	83%	100%
China		4%	7%	7%	100%
South Asia		32%	34%	41%	100%
South East Asia		52%	63%	65%	100%
Asia, total	13%	17%	21%	22%	100%
Total	47%	50%	54%	52%	100%

KPI – SUPPLIERS / IWAY FULFILMENT RATES



OTHER FIGURES

	2006	2007	2008	2009
Number of TSO audits/of which were unannounced				
Europe	472	492/7	480/21	375/70
Americas	34	42/0	31/0	29/2
Asia	528	785/207	693/359	646/451
Total	1,034	1,319/214	1,204/380	1,050/523

Number of CMG audits

Europe	25	22	20	19
Americas	3	2	2	2
Asia	24	20	24	22
Total	52	44	46	43

Number of third party audits/of which were unannounced

Europe	3	14	17	15/15
Americas	0	0	0	0
Asia	24	34	29	30/30
Total	27	48	46	45/45

Terminated business with X number of suppliers

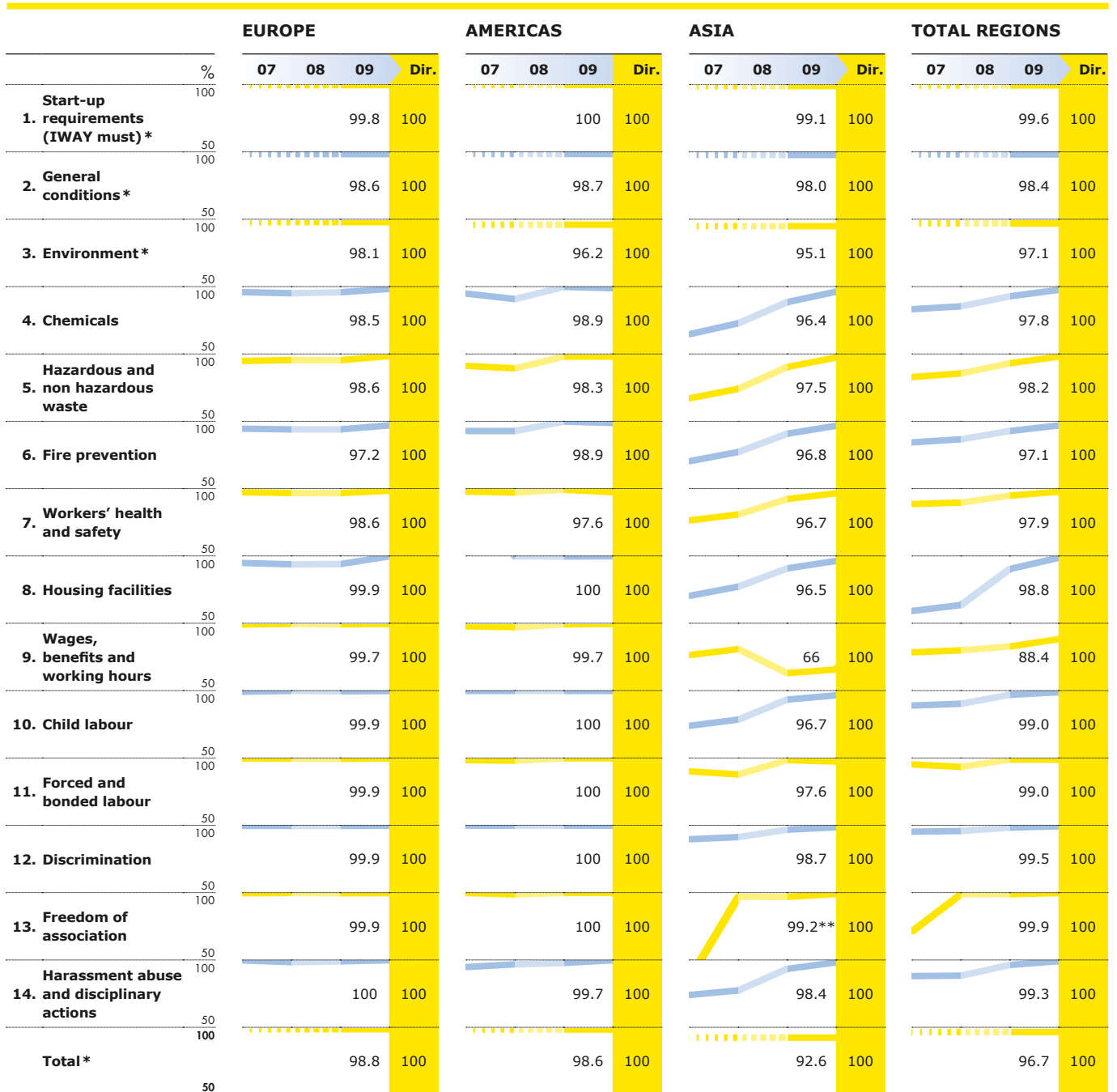
IWAY non-compliance only	6	24	20	10
IWAY non-compliance one of several reasons	21	32	28	43

SUPPLIERS

HOME FURNISHING SUPPLIERS

Average IWAY fulfilment rates 2009

Regions



* Following the update of IWAY, these criteria have no comparable data from previous years.

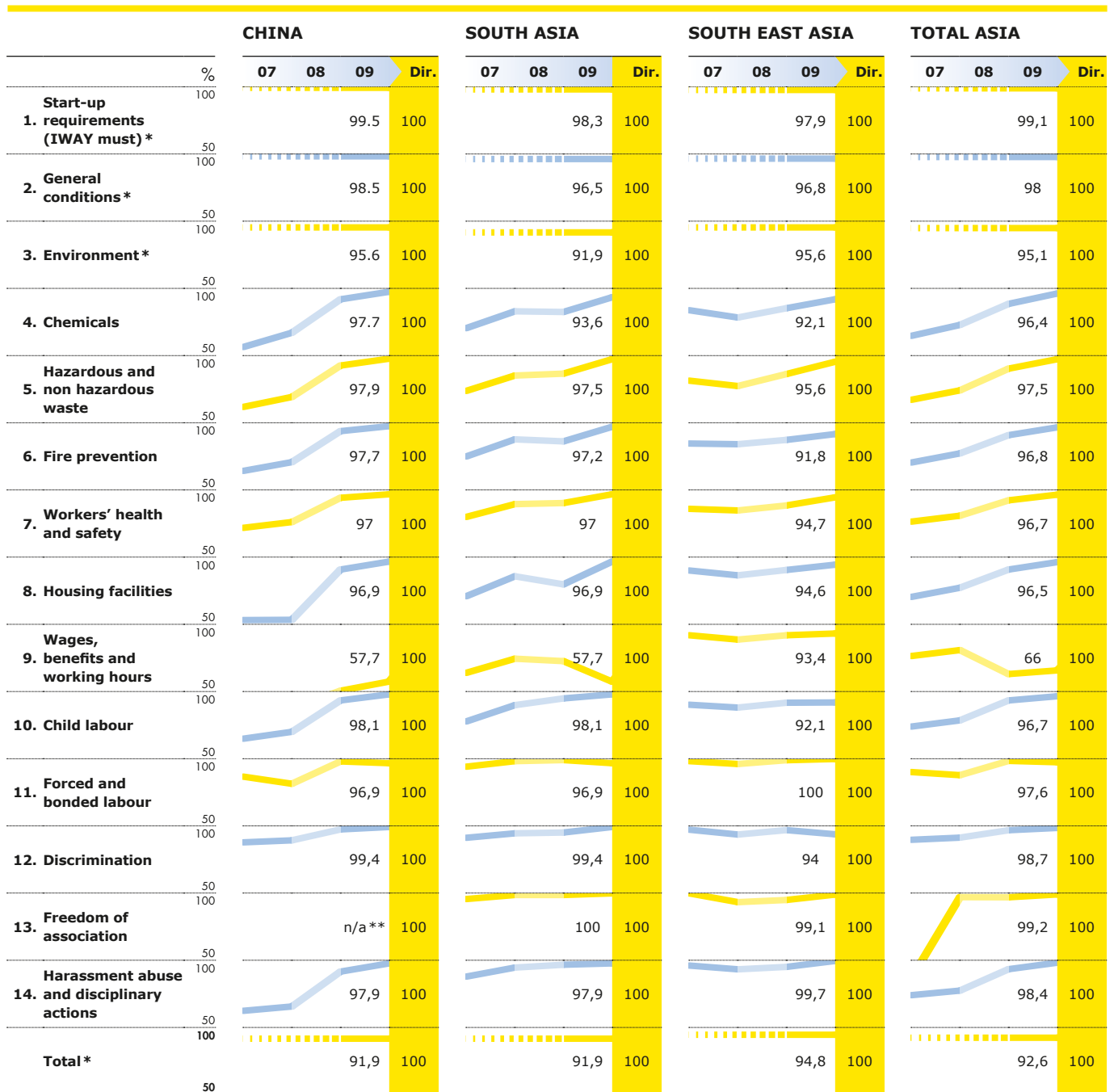
** Not applicable for China.

SUPPLIERS

HOME FURNISHING SUPPLIERS

Average IWAY fulfilment rates 2009

Asia



* Following the update of IWAY, these criteria have no comparable data from previous years.

** Not applicable for China.

High compliance rate among IKEA food suppliers

IKEA purchases fresh and packaged food for IKEA restaurants and the Swedish Food Market – a speciality shop which features products based on Swedish recipes and Swedish culinary traditions. The code of conduct IWAY with special requirements for food suppliers was introduced in 2007, and the food suppliers that have been audited so far have a high compliance rate.

HIGH COMPLIANCE AMONG CENTRAL FOOD SUPPLIERS

Almost all of those central food suppliers that had been audited at the end of FY09 were approved without further action plans. This indicates a generally high level of preparedness and control culture in the food industry with regard to the issues included in IWAY.

THE WAY WE WORK

IWAY FOR FOOD SUPPLIERS

Fresh and packaged food for the Swedish Food Market is purchased centrally, while food for the IKEA restaurants is purchased both centrally and locally. The centrally purchased range, bought from some 100 suppliers, is the same in all IKEA stores worldwide. In addition, each country purchases some food locally.

Read more on page 15

The IKEA code of conduct



SPECIFIC REQUIREMENTS ON FOOD SUPPLIERS

IKEA Food Quality and Environmental Requirements is a supplement to IWAY with specific requirements on food quality and environmental issues.

Read more on page 39

Safe and organic food



Read more on page 24

IKEA Food Quality and Environmental requirements

COMMENTS ON KPIS AND FIGURES 2009

In FY09 the audit rate for global food suppliers accelerated. Out of our approximately 100 central food suppliers, 50 were audited and of these 42 of them (85%) were approved. IKEA expects continued progress during FY10 and the goal is that all global food suppliers shall be audited and approved by the end of the year.

KPI – SUPPLIERS / FOOD SUPPLIERS

	2006	2007	2008	2009	Goal FY10
IWAY approved food suppliers					
Europe			13%	41%	100%

IMPROVEMENT #41

The majority of SYLT jams are part of IKEA FOOD's expanding range of organic products, sold in the Swedish Food Market in IKEA stores. Organic agriculture excludes the use of chemical fertilisers or pesticides, and strives to maintain biodiversity and ecological balances.



IKEA Food Quality and Environmental requirements

IKEA food suppliers must comply with the requirements in our code of conduct IWAY, but also with specific industry-related requirements specified in a supplement to IWAY. Below is a summary of key points.

1. FOOD SAFETY , TRACEABILITY, PRODUCT TESTING AND LABELLING:

- all co-workers must receive food safety training
- a Hazard Analysis Critical Control Point (HACCP) system must be in place
- a specifically appointed person managing food safety systems
- global food suppliers must have an approved food safety management certification
- all ingredients, including packaging materials, must have full traceability
- routines for analysis from raw material to finished products
- verified declared shelf-life of products
- verified declared content and nutritional values
- appropriate, legal labels and packaging for IKEA markets

2. OTHER REQUIREMENTS:

- no animal cruelty, including no ingredients from force-fed animals and no routine administration of antibiotics or hormones
- no genetically modified food ingredients
- no fish from endangered stocks
- salmon suppliers must be members of the "Salmon Dialogue"
- no lobster ingredients, and no tiger prawns/scampi unless certified by an international organic standard
- restrictions on levels of industrially produced trans fatty acids in the total fat content of food products (below 2 percent)
- palm oil only from members of the Round Table of Sustainable Palm Oil
- restrictions on additives such as AZO colours and MSG (monosodium glutamate)

New Catalogue format and better supplier documentation

The IKEA Catalogue 2010 was printed in 198 million copies in 27 languages and 56 editions, and a new more resource efficient format was introduced. Supplier records now include water and energy use so that we get a better map over the Catalogue's total environmental footprint.

POSITIVE RESULTS FROM NEW CATALOGUE FORMAT

A more compact catalogue format was tested in a few countries in FY08 and was introduced on all markets in FY09. This has had positive impacts on relative costs, paper, energy use and CO₂ emissions. The new format enables more efficient transportation, but it also generates less paper spill in the production.

MAPPING THE ENVIRONMENTAL FOOT PRINT

All catalogue suppliers have now documented their water consumption. This will enable IKEA to evaluate the full water footprint of the IKEA Catalogue and track future progress. IKEA also documents the energy consumption per catalogue, including the share of renewable energy.

THE WAY WE WORK

REQUIREMENTS FOR CATALOGUE SUPPLIERS

IKEA catalogue suppliers must comply with the same IWAY requirements as other suppliers, as well as industry specific requirements. Today, IKEA makes an annual follow-up of suppliers' implementation of requirements through an annual questionnaire. It is our ambition to also conduct audits at suppliers' premises in the near future.

Read more on page 26

Industrial specific requirements for IKEA catalogue suppliers.



COMMENTS ON KPIS AND FIGURES 2009

The share of paper suppliers that are certified has increased significantly, which reflects a general trend in the pulp and paper sector to implement and certify environmental management systems, such as ISO 14001 or EMAS.

The new compact format of the catalogue means that the same number of copies can be produced using less total paper volumes and the share of FSC-certified fibred has increased. Another positive aspect is the reduced environmental impact in terms of emissions to air and water.

KPI – SUPPLIERS/CATALOGUE SUPPLIERS

	2006	2007	2008	2009
IWAY approved suppliers			71%	73%
Industry specific requirements – fulfilment rates			53%	50%

OTHER FIGURES

	2006	2007	2008	2009
Specification of industry specific requirements				
Volume of paper (tonnes)	100,000	108,240	113,099	103784
Share of paper suppliers that are certified (%)	81	82	61	94
Fibres with FSC Certified Chain-of-Custody (%)	3.40	7.60	5.90	6
Recycled Fibre content (%)	n/a	3.40	5.20	6.4
Energy use, total (GWh = million kWh)	618	629	617	603
Energy use (kWh/copy)	3.60	3.26	3.11	3.04
Share of renewable energy (%)	n/a	38	40	51
CO ₂ emissions from catalogue production (tonnes)	107,548	127,233	130,961	120,426
Fossil carbon dioxide per catalogue (kg CO ₂ /copy)	0.63	0.66	0.69	0.61
Emissions to air (kg VOC (volatile organic compounds)/copy)	1.12	1.04	1.01	0.75
Emissions to wastewater (kg COD (Chemical Oxygen Demand) /copy)	3.91	4.09	3.88	3.83
Total water consumption for the catalogue (m ³)	3,108,708	2,913,406	3,552,789	2,998,621
Water consumption (litres/copy)	18.12	17.48	17.92	14.96

Industry specific requirements for IKEA Catalogue suppliers

IKEA catalogue suppliers must comply with the same IWAY requirements as other suppliers, but also with specific requirements for pulp and paper suppliers, artwork, repro and IT online service suppliers, and for gravure and offset printing suppliers. Below is a summary of the key points.

1. PULP AND PAPER SUPPLIERS:

- the origin of wood fibres for pulp and paper must be known
- virgin wood fibre must comply with IKEA wood requirements
- no elementary chlorine used for bleaching processes
- all transport of fibre, pulp and paper must be documented
- use of energy must be documented and energy reduction targets set
- a minimum of 50 percent of energy from renewable sources
- specific limits on emissions to air and water

2. ARTWORK, REPRO AND IT ONLINE SERVICE SUPPLIERS:

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

3. GRAVURE PRINTERS:

- safe plating processes and safe chrome management
- documentation of production and paper consumption
- use of energy must be documented and energy reduction targets set
- clean water consumption must be documented
- emissions to air and water must be documented
- all transport of related to printed products must be documented

4. OFFSET PRINTERS:

- safe discard of plate developer
- documentation of production and paper consumption, including waste
- use of energy must be documented and energy reduction targets set
- clean water consumption must be documented
- emissions to air and water must be documented
- all transport related to printed products must be documented

IMPROVEMENT #7

The IKEA catalogue was the first major colour publication in the world to be printed on Totally Chlorine Free paper. Since then, bleaching technology has developed and today we know that a harmful substance in the bleaching process is elementary chlorine. This is why we now use papers in a mix of both totally chlorine free (TCF) and elementary chlorine free (ECF) paper in order not to involve elementary chlorine.



SUPPLIERS

TRANSPORT SERVICE PROVIDERS

Joint industry initiatives support transport service providers

IKEA transport service providers must comply with IWAY and our industry-specific requirements. This year, we have seen progress in a number of initiatives to improve environmental assessments. Better assessment procedures will help IKEA identify and procure services from those that are best prepared to meet all IKEA requirements already from the start.

NEW ENVIRONMENTAL PERFORMANCE SURVEY

Together with other members of the European Retailers Round Table (ERRT), IKEA has been part of developing an Environmental Performance Survey, which covers a set of indicators addressing the environmental performance for transport carriers. The result from the survey will help IKEA, and other members of the ERRT, take environmental criteria of individual transport carriers into consideration during the procurement process. IKEA has decided to only procure transport services from suppliers who achieve a minimum score (100 points in Europe, and 50 points in Russia & Asia Pacific) in the ranking developed under ERRT. The survey, and hence ranking, includes the impact from sub-contractors to give a better overview of a carrier's total situation.

IMPROVED DATA ON OCEAN CARRIERS

IKEA as part of the Clean Cargo Working Group (CCWG), a project under Business for Social Responsibility (BSR), has collaborated together with other shippers and ocean carriers, to create an Environmental Performance Matrix which maps ocean carriers environmental impact. The group and the Matrix will increase the transparency of ocean carriers and enable an environmental comparison between individual carriers and industry peers.

REQUIREMENTS FOR VEHICLES

IKEA customer distribution service providers use smaller vehicles to transport products to customers' homes. In addition to complying with IWAY, IKEA has developed new specific requirements for these smaller, lighter vehicles: All vehicles must be five years or younger, and comply with CO₂ emission targets set by IKEA.

THE WAY WE WORK

SUPPORT AND MONITORING

IKEA products are transported by road, rail and sea between suppliers, distribution centres and IKEA stores, and from our stores home to our customers. Our code of conduct, IWAY, applies to the transport and distribution of IKEA products, as well as IKEA distribution centres. Transport service providers are audited on a regular basis to ensure compliance with IWAY requirements. IKEA transport developers engage in dialogue with transport service providers on a regular basis, and support best-practice exchange between suppliers.

Read more on page 15

The IKEA code of conduct



INDUSTRY SPECIFIC REQUIREMENTS

In addition to the requirements in IWAY, transport service providers must fulfil a number of environmental requirements that are included in a transport section supplement to IWAY. They must also complete an annual "Environmental Performance Survey".

Read more on page 29

Industry specific requirements for IKEA transport service providers



IMPROVEMENT # 1

We don't design flat packs to sell more but to save more. Flat packs mean optimised loads and fewer transports, which reduces emissions. Our use of recyclable packaging requiring minimal raw material helps, too. Brown cardboard is one of our best friends – it saves costs and the environment.



SUPPLIERS

TRANSPORT SERVICE PROVIDERS

COMMENTS ON KPIS AND FIGURES 2009

There is a positive trend in IWAY approval among transport service suppliers together with a high level of compliance with the industry specific requirements. This shows that the transport industry is very responsive to demands from customers and society within the social and environmental area. This is also emphasised by the participation of the carrier industry in various initiatives to address such issues.

For IKEA distribution centrals, we expect positive progress during FY10 and the goal is that all distribution centrals shall be audited and approved by then.

KPI – SUPPLIERS / TRANSPORT SERVICE PROVIDERS

	2006	2007	2008	2009	Goal FY10
IWAY approved transport service providers					
		5%	42%	67%	60%
IWAY approved IKEA distribution centres					
		71%	80%	78.3%	100%
Fulfilment of industry specific requirements					
Ocean	100%	69%	87%	99.86%	100%
Land (new category)		99%	99%	100%	
Road	93%	see land	see land		100%
Rail	86%	see land	see land		100%

OTHER FIGURES

	2006	2007	2008	2009
Modes of transport (goods volume)				
Road	70%	69%	69%	72%
Ocean	15%	17%	18%	15%
Rail	6%	5%	4%	3%
Combined transport	9%	8%	9%	10%

Industry specific requirements for IKEA transport service providers

IKEA transport service providers must comply with the requirements in our code of conduct IWAY, but also with industry-related requirements specified in a transport specific supplement to IWAY. Below is a summary of the key points.

1. INDUSTRY SPECIFIC START-UP REQUIREMENTS

- trucks must be 10 years or younger (5 years for vehicles less than 3,5 tonnes)
- completed Environmental Performance Survey (EPS) with annual update
- a minimum EPS score of 100 in Europe and 50 in Russia & Asia Pacific.
- in North America, carriers must be a member of the EPA Smartway program and have a score of at least 1.0

2. OTHER INDUSTRY SPECIFIC REQUIREMENTS

- practical plans for reducing CO₂ emissions, including annual targets
- anti-alcohol and anti-drug policy combined with clear communication
- emergency phone numbers to all truck drivers
- fire fighting equipment in vehicles
- driver license checks at least annually
- appropriate personal protective equipment including safety vests
- first aid equipment in all trucks and locomotives
- appropriate housing facilities
- working time capped at 60 hours including overtime per week
- regular rest periods and daily breaks

IMPROVEMENT #47

Sometimes business travel can be replaced by technical solutions for virtual meetings, like video-, web- and phone meetings. At IKEA we work to reduce business travel under the slogan "Meet more, travel less". This reduces our costs, our environmental impact and improves the work-life balance for IKEA co-workers.

A photograph of three male IKEA employees in their signature yellow polo shirts with dark collars and blue lanyards. They are standing in a store aisle, looking at a document held by one of them. In the background, there are store displays, including a sign for 'SNILLE' with a price tag of '£13.99'.

Co-workers

Giving co-workers the possibility to grow

IKEA is committed to being a good employer that offers a safe and healthy work environment together with development opportunities for each individual. The economic downturn has meant slightly reduced co-worker numbers, but has not slowed our efforts to grow together with our co-workers.

REDUCED STAFF TURNOVER

Total staff turnover decreased to 16 percent from 24 percent. This is partly due to a generally less mobile workforce during the economic downturn, but also a result of persistent efforts to increase the retention rate at IKEA. Today, 55 percent of co-workers stay with us for three years or longer.

We want our co-workers to stay and grow with IKEA. This is why the recruitment strategy has become more clearly focused on hiring co-workers who not only have the right competencies, but who will also feel at home with us because they have a keen interest in home furnishing and share our values.

For example, IKEA stores in the US have drastically improved the retention rate in recent years, and staff turnover has dropped from 55.3 percent in FY07 and 47.7 percent in FY08 to 31.9 percent in FY09.

SUPPORTING REDUNDANT CO-WORKERS

Around 5,000 co-workers were made redundant at IKEA during 2009, mainly within logistics, distribution and purchasing. This was a result of the global economic downturn as well as organisational changes aimed at making the goods flow from supplier to customer more direct and efficient.

It is important to IKEA to take responsibility for co-workers in this difficult situation. Support must always be available through communication and coaching, but may also be of financial character towards finding an alternative career. For example, IKEA offered to pay part of the cost of vocational training for co-workers that were made redundant at distribution centres in Sweden in FY09. All co-workers also received legally required support in the form of professional coaching and job-seeking training.

BETTER WORKING CONDITIONS FOR CASHIERS

The check-out area is the second biggest department in IKEA stores, and the one with the highest staff turnover. Cashiers are exposed to continuous physical and psychological stress during their shifts – they service large numbers of visitors, they manage big sums of money and they handle tonnes of products. This is why IKEA has taken a number of initiatives in recent years to improve working conditions in the check-out area.

Ergonomics is one focus area, which has been improved both with increased awareness and changes to the physical environment. An e-learning module about ergonomics at the check-out has been made available to all cashiers, and self-service check-outs have been installed in 180 IKEA stores so far. These check-outs virtually eliminate heavy lifts and repetitive strain at the same time as the cashier role becomes more of a hosting role.

IKEA is also introducing various means to eliminate stress related to money handling. For example, closed cash handling systems have been tested in France and Norway and are expected to be installed in 13 countries by November 2010. The cash register automatically calculates and gives change, reducing the personal responsibility for the cashier.

DIALOGUE IMPROVES CALL CENTRES

Dialogue with the European Works Council (EWC) has helped IKEA improve the working environment at our call centres by contributing to manuals and guidelines based on best practices, and by giving input to our action plans.

IMPROVEMENT #55

Every new co-worker in the United Kingdom is given a box of six IKEA low energy bulbs when joining the company. They last much longer than traditional bulbs, but once they blow IKEA will replace them free of charge and recycle the returned ones. The box also give tips on how co-workers can save energy at home and at work. Each co-worker saves about 50 euro a year on their home energy bill by using the six bulbs.



NEW "JOBS AT IKEA" WEBSITE

We want to make it easy for potential job applicants to see whether IKEA fits their needs and aspirations, and we want to recruit co-workers who will enjoy a long-term career with IKEA. This is why IKEA values are one important aspect of the new and improved "Jobs at IKEA" section of the IKEA website. The new content and structure gives a better overview of what it is like to work at IKEA, with co-worker stories and descriptions of various jobs.

BETTER ACCESS TO INFORMATION FOR ALL

IKEA has started introducing web-enabled services on the Internet to better reach co-workers who do not have access to computers and the IKEA Intranet at work. Co-workers can log in through the web browser of any computer or mobile phone to get access to a range of simply-written benefit descriptions and self-serve applications relating to wages and benefits, as well as news and information about various IKEA activities.

Tests are up and running in the US, the UK and Canada, while Germany, Spain, Austria and Ireland are expected to introduce this extranet solution in 2010.

SUSTAINABILITY TRAINING FOR ALL-CO-WORKERS

A new e-learning module on sustainability has been made available to all co-workers, and has become a part of training during paid hours. It gives an overview of the IKEA approach to sustainability and concrete examples of what we do to take responsibility for people and the environment. This interactive training also gives co-workers practical tips and ideas on how to contribute to a more sustainable world in their everyday life.



THE WAY WE WORK

OUR VALUES SHOW US THE WAY

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

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

LISTENING TO OUR CO-WORKERS

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

IKEA GROUP CO-WORKERS

The IKEA Group has 123,000 co-workers spread across functions such as purchasing, distribution, whole-sale, range, retail, support functions and the Swedwood Group.

CO-WORKERS PER FUNCTION

Purchasing, distribution, wholesale, range and other	13,800
Swedwood Group	15,000
Retail	94,200

CO-WORKERS PER REGION

Asia and Australia	7,800
North America	15,500
Europe	99,700



SAFE & HEALTHY WORKING CONDITIONS

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

All co-workers within retail and distribution undergo safety-training before starting to work at IKEA. This includes training on how to use equipment and machinery, fire and evacuation training, routines to prevent and handle workplace accidents, ergonomics etc. If appropriate, co-workers are also trained in how to handle threats – such as bomb threats –and robbery situations.

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

STRIVING FOR DIVERSITY AND EQUAL OPPORTUNITIES

We are convinced that IKEA becomes more creative and dynamic with a diverse work force, and strive to recruit co-workers of different backgrounds and experiences. IKEA managers around the world represent 50 different nationalities, and our overall ambition is to have a workforce that mirrors the diverse IKEA customer base.

For instance, the IKEA store in Brent Park, UK, has co-workers of 20 different nationalities, while the US track representation by ethnic groups to reflect the local market. This means that that the co-worker mix varies not only from state to state but from store to store. For example, the East Palo Alto store in San Francisco has 23 percent co-workers with Asian origins and 34 percent with Hispanic or Latino origins, while the Carson store in Los Angeles have 51 percent Hispanic/Latino co-workers and 10 percent Asian co-workers.

IKEA strives for gender balance at all levels in the company. Today, there are more women than men working on the IKEA sales floors, but the share of female managers does not reflect that. The goal is to reach a 50–50 ratio.

SUPPORT TO FULFILLING CAREERS

We want our co-workers to have a fulfilling career and grow with us, both professionally and personally. Each co-worker is in charge of his or her own competence development with continuous support from IKEA.

Co-workers who have mastered their current job are encouraged to seek new challenges. This could be in the form of more responsibility or through an alternative career route inside IKEA by changing location or work function. The annual development talk is one opportunity to discuss and outline career paths as well as training needs.

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

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

KEEPING CO-WORKERS INFORMED

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

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

Since a majority of co-workers in stores and distribution centres do not have regular access to computers at work, the IKEA Intranet is complemented by a variety of different channels such as regular meetings, easily accessible notice boards and plasma screens, newsletters and closed-circuit radio. There is a global staff magazine which is distributed to all co-workers and translated into 18 languages. This magazine is in many parts of the organisation complemented by national and local magazines.

SUPPORTING WORK-LIFE BALANCE

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

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

COMMENTS TO KPIS AND FIGURES 2009

The total number of co-workers has decreased. This is partly due to IKEA's efforts to shift part-time co-workers into full-time and in some instances because of more efficient processes, but it is also due to the consequences of the global economic down-turn.

IKEA operates in a constantly evolving and competitive retail environment with high staff turnover. Over the past five years, IKEA has opened around 100 new stores and we plan to open around 15 new stores per year over the next five years. Some 120,000 new recruits are expected to join the company while 85,000 co-workers are likely to have left IKEA.

The staff turnover decreased from 24 percent to 16 percent. The economic downturn has made the workforce generally less mobile, but IKEA has also made persistent efforts to increase the retention rate. The average length of employment for an IKEA co-worker is around four years, but staff turnover is significantly lower among full-time co-workers.

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

FIGURES 2009

	2006	2007	2008	2009
Co-workers				
VOICE Average				
IKEA Total	612	629	646	663
Leadership Index				
IKEA Total	69	70	72	73
Staff turnover				
part-time			32%	22.4%
full-time			16%	11.9%
total			24%	16.4%
Management male/female, %				
Stores			64/36	65/35
Retail administration			64/36	60/40
Distribution			67/33	69/31
Trading			64/36	65/35
Others			74/26	68/32



IMPROVEMENT #23

During the holiday season at the end of each year, one euro for every soft toy sold in IKEA stores worldwide is donated to Save the Children and UNICEF projects aimed at improving children's education. IKEA customers helped raise 7.1 million euro in the latest "One euro is a fortune" campaign, bringing the total since 2003 to 23.8 million euro, enabling approximately 8 million children in over 30 countries to access a quality education.

Customers

Increased product testing to ensure quality and customer safety

Customers should always feel confident that products bought at IKEA are of good quality and safe and healthy to use. This is why we have increased the number of tests on finished products, and strengthened our testing capacity with a new facility in China.

INCREASED PRODUCT TESTING

IKEA has increased the number of controls of manufactured products to ensure that they maintain the same strict safety standards they showed in laboratory testing before being included in the range. We have also decided to focus on a limited number of laboratories with capacity to perform the wide range of tests required by IKEA.

NEW TEST AND TRAINING CENTRE IN CHINA

A new IKEA Test and Training Centre (ITTC) opened in Shanghai, China, in January with around 50 co-workers. The lab has the capacity to test products for fire resistance, surface resistance, textile, furniture and corrosion as well as general chemistry. The centre provides training for both IKEA co-workers and suppliers. ITTC is accredited by China National Accreditation Service (CNAS).

CHEMICAL MANAGEMENT IN TEXTILE PRODUCTION

IKEA helps selected IKEA textile suppliers to connect with chemical suppliers in a service based model referred to as "chemical leasing" in order to reduce the use of chemicals in manufacturing. This method is adapted from the car industry, and involves a technical specialist from the chemical supplier being placed at the textile supplier. The specialist is assigned to oversee the processing and to support better chemical, energy and water management. In the years 2005-09, suppliers in India reduced their use of chemicals significantly as well as water and energy use. Several suppliers increased their capacity during the same period.

Read more on page 52

Making more from less



Read more on page 51

Solutions for a more sustainable life at home

THE WAY WE WORK

A GENEROUS RETURN POLICY AND FOLLOW-UP ROUTINES

IKEA has a generous return policy and customers have at least 30 days to bring back purchased products for a full refund irrespective of the reason for the return. Every return is systematically documented so that IKEA can analyse return reasons and take action when needed. There are routines in place for returns related to quality problems, so that measures can be taken by IKEA and the supplier in question. In addition, any indication of safety problems immediately prompts measures to prevent injury and/or health hazards.

PROACTIVE RISK ASSESSMENTS AND PRODUCT TESTING

IKEA uses proactive risk assessments to ensure product safety by evaluating, detecting and eliminating potential hazards. Each year thousands of tests are carried out on products during IKEA product development, and various tests are conducted continuously during production. Our own third-party accredited test laboratory in Älmhult, Sweden is our biggest test site, which is complemented by accredited and IKEA approved laboratories as well as third-party test laboratories around the world. Suppliers are required to have product tests conducted at IKEA approved third-party laboratories.

SPECIAL FOCUS ON CHILDREN'S SAFETY

IKEA pays particular attention to children's products, which must meet especially high quality and safety requirements. We test IKEA children's products to strict national and international safety standards and legislation at independent, third-party test laboratories and institutes around the world. Tests are made before we start production and thereafter on a regular basis.

IMPROVEMENT #42

The flexible laptop table DAVE has a top made from MDF. IKEA has removed all formaldehyde from veneer glue, and formaldehyde emissions from MDF have been reduced by nearly 40 percent in recent years to levels significantly below EU requirements.



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

Co-workers across IKEA who work with the Children's IKEA range in one way or the other go through regular training in the IKEA Children's School. Our teachers both internal and external, are experts in their field and teach us about children's development and needs with focus on quality, safety and health.

USING THE SAFEST POSSIBLE CHEMICALS

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

The IKEA range complies with the strictest laws and safety standards on all our markets, and we have detailed requirements on the use of chemicals and other substances in the manufacturing process. If one country tightens its rules, we introduce these new regulations on all IKEA markets where and when possible.

Examples of such legislation are the EU RoHS directive on hazardous substances in electrical and electronic components and the REACH legislation on the restriction of chemicals.

IKEA participates in formal and informal networks related to REACH. For instance, IKEA follows the updates of The International Chemical Secretariat's (ChemSec) initiative "Substitute it Now" (SIN) which lists substances that may be included in REACH.

REDUCING FORMALDEHYDE EMISSIONS

IKEA has a vision that formaldehyde emission levels in wood based products shall be on the same levels as in natural wood. Already, a new standard for wood based board means that IKEA accepted formaldehyde levels will be half of the permitted EU level (E1).

Expanding the certified food range

IKEA restaurants, bistros and Swedish Food Markets help our customers to enjoy their visit to our stores. As part of our commitment to a sustainable food offer we have expanded the range of affordable organic products, and plan to introduce more certified products. We have also engaged in a new cooperation to improve animal welfare in the food supply chain.

INCREASED NUMBER OF ORGANIC PRODUCTS

We have introduced additional products to the organic range sold in the Swedish Food Markets in IKEA stores. The products added this year – elderberry and lingonberry drinks, pasta with tomato sauce, tomato sauce, dill, parsley, pepper and thyme – is yet another step forward in our ambition to offer more organic products in our Swedish Food Markets.

LOOKING INTO UTZ CERTIFIED COCOA

IKEA wants to substitute more food ingredients with certified products. The first to be introduced was UTZ Certified coffee in 2008. We have now made a pre-assessment of the possibility to buy certified cocoa, and IKEA takes part in the development and implementation of UTZ certification.

The majority of the world's cocoa comes from West Africa, where there are significant challenges with regard to social, environmental and economic sustainability. UTZ certification would ensure that the cocoa is traceable all the way back to the plantations and proves that it is grown professionally, with care for people and the environment.

Read more at www.utzcertified.org
UTZ



IMPROVEMENT #58



All coffee sold and served at IKEA is UTZ Certified. That means that you can trace the bean all the way back to the plantations through a code on the packaging. UTZ Certified is an independent non-profit organisation that sets social and environmental standards for sustainable coffee growing and distribution.

NEW COOPERATION ON ANIMAL WELFARE

IKEA engages in dialogue with several stakeholders to learn more about animal welfare. The latest cooperation is with Compassion in World Farming (CIWF), a British NGO engaged in research, lobbying and training in animal rights issues. The aim is to improve farm animal welfare standards in IKEA's food business.

Read more at www.ciwf.org.uk
CIWF



A DRAFT STANDARD FROM THE SALMON DIALOGUE

IKEA and all our suppliers of salmon products participate in the Salmon Dialogue, a multi-stakeholder initiative managed by WWF. The Salmon Dialogue has now developed a set of draft principles and criteria for environmentally, socially and economically responsible salmon farming. The standards are formulated to address a number of key potential negative impacts of this complex issue, including feed, escapes, chemical inputs and social impacts.

Read more at www.worldwildlife.org
For more information on Salmon Dialogue go to [/what/globalmarkets/aquaculture/dialogues-salmon.html](http://what/globalmarkets/aquaculture/dialogues-salmon.html)



NEW FOOD SAFETY TRAINING FOR CO-WORKERS

IKEA has introduced a mandatory web-based learning program on food safety for all co-workers working with food in our restaurants, kitchens and stores.

THE WAY WE WORK

IKEA RESTAURANTS AND SWEDISH FOOD MARKETS

Food for the IKEA restaurants is purchased both centrally and locally, while fresh and packaged food for the Swedish Food Market – a speciality shop which features products based on Swedish recipes and Swedish culinary traditions – is purchased centrally. The centrally purchased range, bought from some 100 suppliers, is the same at all IKEA stores worldwide. In addition, each country purchases some food locally.

[Read more on page 23](#)

IKEA Food suppliers



SAFE AND ORGANIC FOOD

IKEA strives to ensure that the food served in our restaurants and sold in our stores is safe to eat and produced with consideration to the environment and the people that produce it. Our ambition is to increase the share of organic food products in the total Swedish Food Market range.

EXTERNAL FOOD SAFETY AUDITS

Two annual food safety audits are performed by external parties in every IKEA store. The audit includes food handling, cleaning practices, storage rooms and garbage practices. If deviations from protocol are detected, the store must immediately set up corrective measures and undergo a new audit.

COMMENTS ON KPIS AND FIGURES 2009

The share of organic food products offered in the Swedish Food Market continued to increase. The development of new targets will be completed in FY10.

During FY09 every IKEA restaurant offered at least one organic dish during the year, many of the restaurants have several organic dishes on the menu.

KPI – CUSTOMERS / FOOD SAFETY

	2006	2007	2008	2009	Goal FY09
Organic products in the Swedish Food Market range	4%	6%	8%	11%	15%

OTHER FIGURES

	2006	2007	2008	2009
Number of countries serving organic dishes in IKEA restaurants / Total number of countries			24 / 24	24 / 24

IMPROVEMENT #8

Many markets are sourcing organic food for their national menu in the restaurants; for example IKEA Italy has around 70 organic ingredients used for restaurant food preparation, ending up on the plates as delicious dishes.



IKEA customers helped us make a difference

IKEA gives customers the opportunity to engage and contribute to positive development through campaigns in cooperation with our partners. Customer contributions through our global campaigns reached new record highs in FY09.

RECORD DONATIONS FROM SOFT TOYS CAMPAIGN

During the holiday season at the end of each year, one euro for every soft toy sold in IKEA stores worldwide is donated to Save the Children and UNICEF projects aimed at improving children's education. The FY09 "1 euro is a fortune" campaign generated a record 5.7 million euro, and helped the two organisations continue with and/or start projects in 14 countries.

The FY10 campaign generated another 7.1 million euro to improve children's education. Since the campaign began in 2003, IKEA Social Initiative has donated 23.8 million euro enabling approximately 8 million children in over 30 countries to access a quality education.

Read more at www.unicef.org
UNICEF



Read more at
www.savethechildren.net
Save the Children

Read more on page 43
IKEA Social Initiative



SUNNAN LAMP SALES LIGHT UP CHILDREN'S LIVES

IKEA customers also help children living without electricity by buying SUNNAN solar powered lamps. For every SUNNAN lamp customers buy, one extra sturdy SUNNAN is donated from IKEA Social Initiative to UNICEF to give to children who cannot draw, write or read after sunset.

Read more on page 43
IKEA Social Initiative



IKEA STORES JOIN EARTH HOUR

In 2009, IKEA stores in 11 countries participated in Earth Hour – a global campaign organised by WWF since 2007 to raise awareness of climate change and the need to take action. Co-workers, customers and the general public in the local community

joined in and turned off non-essential lights and appliances for one hour. Examples of store activities include turning off building facade and sign lights, arranging customer competitions on energy savings, offering price reduction on products with climate benefits, and awareness campaigns on local websites.

Read more at www.earthhour.org
Earth Hour



MANY LOCAL INITIATIVES

Below, we have given a few examples of local initiatives to engage IKEA customers.

IKEA Belgium phased out incandescent bulbs in January 2009. Customers who bring back old CFL bulbs – irrespective of brand – to IKEA for recycling receive a 2.5 euro voucher to buy new SPARSAM low-energy bulbs. This campaign will last until the end of June 2010. In addition, IKEA donates 0.25 euro to WWF's environmental work for every SPARSAM bulb sold before 31 December 2009.

Every time IKEA FAMILY members in the United Kingdom swipe their membership card, IKEA donates 10 pence to the conservation charity Woodland Trust. Since the start in November 2007, more than 650,000 pounds have been donated, enabling the creation of more than 60 hectares of new woodland. Activities in-store and on the IKEA UK website help customers engage in the preservation of trees and woodland.

In Norway, IKEA donates 10 NOK to UNICEF for every sold water saving tap. The money generated since the start of the campaign in summer 2009 will first be handed over to UNICEF on the United Nations 2010 Water Day on March 22, but the campaign will continue until the end of FY10.

CUSTOMERS

CUSTOMER ENGAGEMENT

THE WAY WE WORK

CUSTOMERS JOIN GLOBALLY, NATIONALLY AND LOCALLY

IKEA wants to help its customers to engage in activities that in some way contribute to a better world. These activities can be global, national or local.

Read more at www.ikea.com
Activities in your country



RETURN OF LOW-ENERGY BULBS FOR SAFE RECYCLING

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

MAKING IT EASIER TO USE PUBLIC TRANSPORT

IKEA wants to make it easier for our customers to leave their cars at home and instead use public transportation to get to and from the store. This is why we actively work to secure good connections between IKEA and public transport systems, wherever possible. Some IKEA stores offer free shuttle buses between IKEA and surrounding urban areas. Some IKEA stores also offer a reduced price for a home-delivery service for customers using public transport so that they can get their purchases home more easily.

Read more on page 71

IKEA and WWF cooperation on public transports



IMPROVEMENT #67

In FY09, IKEA Sweden and WWF Sweden organised a sustainability contest for children in grades 1–3 to teach them about natural resources and recycling. Nearly 50,000 children collected around 50 million aluminium tea light holders. That's 35 tons of aluminium that was recycled!





IMPROVEMENT #29

IKEA Social Initiative donates one SUNNAN lamp for every SUNNAN sold in IKEA stores worldwide, helping children in homes without electricity to read, write and draw even after dusk. SUNNAN combines low energy LED technology with solar cell panels and can be used nearly anywhere. Just charge the panel for 9–12 hours in the sun and get four hours of full lamplight.

Communities

IKEA Social Initiative projects expected to reach more than 100 million children

IKEA Social Initiative supports programmes with the potential to yield big results from many small steps, fighting for children's rights with a wide range of actions to a healthy and secure childhood with access to quality education. Including this year's new long-term commitments and projects supported by proceeds from the annual campaign "One euro is a fortune", IKEA Social Initiative projects are expected to benefit more than 100 million children.

ADDRESSING CHILDREN'S RIGHTS IN COTTON AREAS

IKEA Social Initiative has identified cotton and cotton-seed farming as areas where there is a great need to improve the rights and lives of children. That is why we support new child rights programmes in a number of cotton producing states in India and Pakistan managed by UNICEF and Save the Children. By 2012, around 10 million children in more than 15,000 villages will benefit through improved access to quality education.

The programmes promote the importance of education to parents and communities. Women's self-help groups and children's groups play an important role in strengthening children's rights, including the prevention and elimination of child labour. Children who have dropped out of school, or those who never had the chance to go to school, get access to quality education, sometimes through informal "bridge schools" before being eased into the conventional school system.

QUALITY EDUCATION IN INDIA'S CARPET BELT

IKEA Social Initiative has a long history of supporting UNICEF projects in Uttar Pradesh in northern India to prevent and eliminate child labour by addressing the root causes. During 2000–2007 a joint child rights project focused on tackling problems such as debt, poverty and lack of access to education in 500 villages, resulted in 80,500 children attending school. In 2009, IKEA Social Initiative committed to continue its support to UNICEF projects aimed at strengthening children's rights and ensuring access to quality education in 5,000 villages in carpet producing areas in northern India.

EMPOWERING INDIAN WOMEN WITH UNDP

In 2009, IKEA Social Initiative started cooperating with the United Nations Development Programme (UNDP) to empower 50,000 women of Uttar Pradesh, India to become leaders, role models and entrepreneurs.

The UNDP cooperation spans from 2009 to 2013 and will enhance the social, economic and political empowerment of women in 500 villages. Activities include mobilizing women into self-help groups with micro-credit and bank linkages, equipping them with business skills to start up income generating enterprises, offering training in functional literacy and financial practices, strengthening legal awareness and encouraging their participation in local political decision making processes. Many of these women already belong to self-help groups set up through the earlier children's rights projects run by UNICEF and supported by IKEA Social Initiative from 2000 to 2007.

SUNNAN LAMP SALES LIGHT UP CHILDREN'S LIVES

For every SUNNAN lamp customers buy, one is donated from IKEA Social Initiative to UNICEF and Save the Children to give to children who cannot draw, write or read after sunset. This ongoing campaign started in June 2009, and children in Pakistan and India are the first to benefit.

Donating lamps is an important contribution to children in developing countries – especially girls – who struggle to keep up at school because their only opportunity to do homework is at night after completing household chores. IKEA has made an especially sturdy SUNNAN for the developing world, designed to resist the wear and tear of difficult living conditions, including a battery capable of withstanding high temperatures and humidity.

SUPPORT AFTER THE 2008 EARTHQUAKE IN CHINA

Following the May 2008 earthquake in China, IKEA Social Initiative provided IKEA products suitable for immediate relief, soon followed by financial support to UNICEF to construct prefabricated classrooms and improve water and sanitation in some of the most devastated areas in the Gansu province. In 2009, IKEA Social Initiative made a new commitment to five counties in the Gansu and Sichu provinces, where UNICEF will support actions to improve the teaching and learning quality in the schools there. Some 100,000 primary school students and 5,000 teachers in 200 schools are expected to benefit.

THE WAY WE WORK

WITH THE MANY CHILDREN

IKEA Social Initiative wants to create a better everyday life for the many children in need. The mission is to create substantial and lasting change that improves their rights and life opportunities. That's why we fight for each child's right to a healthy and secure childhood with access to quality education. The goal is to reduce malnutrition and infant disease and to dramatically improve literacy by adopting a holistic approach to underlying problems. We engage in long-term programmes with the potential to yield big results from many small stages.

UNICEF AND SAVE THE CHILDREN ARE PARTNERS

UNICEF and Save the Children are IKEA Social Initiative's main partners, being the two leading organisations advocating for the protection of children's rights. IKEA Social Initiative is the largest corporate donor to both organisations.

In 2009, IKEA Social Initiative also started a co-operation with the United Nations Development Programme (UNDP).

Read more at www.unicef.org
UNICEF



Read more at
www.savethechildren.net
Save the Children



LONG-TERM COMMITMENTS FOCUS ON SOUTH ASIA

Long-term commitments are focused on South Asia, and particularly India, where the needs of children are great and IKEA has been doing business for many years.

HEALTH, EDUCATION AND WOMEN'S EMPOWERMENT

IKEA Social Initiative focuses its programmes on three areas; a healthy start in life, education and protection, and women's empowerment.

Since 2007, IKEA Social Initiative supports UNICEF programmes in 18 Indian states aimed at increasing child survival rates as well as improving their life-long development. Strong emphasis is placed on preventive Health, Nutrition and Water and Environmental Sanitation initiatives. It reaches out to 80 million children and 10 million women with proven low-cost actions which have a big impact on child and maternal survival.

IKEA Social Initiative believes that children everywhere have the right to be protected from exploitation, abuse and neglect. All children should have access to quality education, and child labour is unacceptable. Between 2009 and 2015, some 10 million children will benefit from IKEA Social Initiative supported programmes, managed by UNICEF and Save the Children. Close to 20,000 villages in the carpet making districts of India and in the cotton and cotton seed growing areas in India and Pakistan will benefit.

Women and mothers are key to improving children's well-being and achieving lasting change in society. This is why all programmes supported by IKEA Social Initiative include community-based actions that help empower women to create a better future for themselves, their communities and their children. A specific cooperation with UNDP will enhance the social, economic and political empowerment of 50,000 women in 500 villages.

THE IKEA SOFT TOYS CAMPAIGN "1 EURO IS A FORTUNE!"

During the holiday season at the end of each year, one euro for every soft toy sold in IKEA stores worldwide is donated to Save the Children and UNICEF projects aimed at improving children's education. Since the campaign began in 2003, IKEA Social Initiative has donated 23.8 million euro enabling approximately 8 million children in over 30 countries to access a quality education.

Read more on page 40

Customer engagement



COMMUNITIES

IKEA SOCIAL INITIATIVE

OTHER IKEA SOCIAL INITIATIVE COOPERATIONS

IKEA Social Initiative also works with a small number of other organisations to meet specific needs. For example, we support the Research Foundation of Astrid Lindgren Children's Hospital in Sweden, the Research Foundation of Lund Vietnam Childhood Cancer Program and the Mentor Foundation.

Read more at www.karolinska.se

Astrid Lindgren Children's Hospital



Read more at www.lu.se

*Lund Vietnam Childhood
Cancer Program*

Read more at

www.mentorfoundation.org

Mentor Foundation

IN-KIND DONATIONS AND EMERGENCY RELIEF

IKEA Social Initiative sometimes has the opportunity to help with in-kind donations of IKEA products as well as emergency relief and mid- to long-term support in the aftermath of disasters such as earthquakes, floods and cyclones. For example, IKEA Social Initiative has provided support after the cyclones in Burma and Bangladesh, the flooding in India's Bihar and the 2008 earthquake in China.

Broad commitment to community projects

In addition to global social commitments managed by IKEA Social Initiative, IKEA is actively involved in a number of national and local social and environmental projects in communities in the countries where we do business.

8,800 ACRES REPLANTED WITH SOW A SEED IN BORNEO

IKEA supports Sow a Seed, a project aiming to reforest and maintain 18,500 hectares of lowland forest in Sabah in Malaysian Borneo, and to protect the area from logging for a period of 50 years. Since the start in 1998, around 8,800 hectares of forest have been replanted with native tree species. The project has also contributed to the building of homes, meeting places for social events, and field accommodations for more than 150 local workers and their families. Sow a Seed is a partnership between IKEA, the Swedish University of Agricultural Sciences, the Yayasan Sabah Group and the Malaysian forestry company RBJ.

Read more at www.ikea.com

Section "About IKEA/our responsibility/forestry/sow a seed"



EXTENDED SUPPORT FOR FORESTRY EDUCATION

IKEA works with World Resources Institute and Global Forest Watch to raise awareness and knowledge of sustainable forest management. This project, which also partners with Greenpeace Russia and Siberian Environmental Centre, has now involved over 5,000 students in 250 schools across Russia, and has been extended to 30 schools in Belarus. In addition, the project included a Summer Forestry School in 2009 for 140 school children in cooperation with local environmental organisations in the Republic of Altai.

IMPROVEMENT #20



Since 2001, IKEA funds a yearly scholarship for students from Russia, Poland, Latvia, Estonia and Lithuania to study sustainable forestry at the Swedish University of Agricultural Science.

One part of the project is creating a new database for forest monitoring, Ecomonitor. The database will integrate information from the monitoring expeditions of different Forest Guardians. The long-term ambition is to set up an interactive website for public monitoring of valuable forests and other natural areas, an important step in promoting modern information technologies for use in education and research.

LOCAL SUPPORT FOR THE HOMELESS

IKEA wants to be a good neighbour in the local community. Below, are a few examples of national and local initiatives we are undertaking to support the homeless.

IKEA France has a partnership with Fondation Abbé Pierre which provides housing and meeting places for the homeless. IKEA supports this organisation by furnishing and decorating day-time activity centres and housing facilities with individual apartments and communal areas. Since the start in 2005, IKEA has donated products and home furnishing advice to 25 Fondation Abbé Pierre projects. Co-workers volunteer their time, and IKEA customers contribute through an annual in-store campaign.

The IKEA store in South Philadelphia, USA, cooperates with Safe Home Philadelphia to help children of homeless families have a better everyday life and a warm, safe and comfortable place to sleep. IKEA donates beds and accessories to children of families who have been provided permanent housing by Safe Home Philadelphia, but who by the time they get into their house have little or no personal belongings. Donated products are for babies, toddlers, young children and teenagers depending on the individual family's needs.

IKEA Italy cooperates with the national railway company Ferrovie dello Stato and furnishes its help centres for the homeless in major Italian railway stations. In addition, IKEA had two week campaigns in the Milan, Parma and Ancona stores where customers received a 10 euro IKEA gift card for every old blanket donated to the stores. The blankets were then donated by IKEA to local homeless organisations.

COMMUNITIES

OTHER COMMUNITY PROJECTS

THE WAY WE WORK

GLOBAL, NATIONAL AND LOCAL COMMUNITY PROJECTS

IKEA engages in community projects at a global level as well as nationally and locally, supporting projects that are designed to match the needs of the communities in which they take place.

As part of our commitment to being a good neighbour, most IKEA stores are actively involved in their local communities in partnership with carefully selected organisations, generally regarded as specialists in their fields. Many social projects are related to children and the homeless, while environmental projects often focus on climate change and the protection of natural resources.

There are many examples of national and local community projects, which can be found on the IKEA website.

**Read more at www.ikea.com
– national website**



Go to "About IKEA/our responsibility/community involvement" for more information on what IKEA is doing in your country

IKEA SOCIAL INITIATIVE

IKEA Social Initiative manages our global social commitments. UNICEF and Save the Children are the main partners, being the two leading organisations advocating for the protection of children's rights globally.

In 2009, IKEA Social Initiative also started a co-operation with the United Nations Development Programme (UNDP).

Read more on page 43

IKEA Social Initiative



IKEA AND WWF COOPERATE FOR THE ENVIRONMENT

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

Read more on page 54

IKEA and WWF forestry projects



Read more on page 59

IKEA and WWF cotton projects

Read more on page 63

IKEA and WWF climate projects

IMPROVEMENT #5

The "IKEA Goes Renewable" project means that all IKEA buildings will move towards being supplied with 100% renewable energy for electricity and heating and we will improve energy efficiency by 25%.

We are making progress: we're at 49% renewable energy and we've achieved a 9% energy efficiency improvement since 2005.



Environment

ENVIRONMENT

ENVIRONMENTAL FOCUS AREAS

Addressing environmental challenges today and tomorrow

IKEA works actively to minimise the environmental impact from all our operations. We have a holistic perspective on the entire value chain – from the initial design stage to the end of a product’s life-cycle. We focus on four areas of particular importance, where we are also beginning to see positive results.

“ENVIRONMENTAL” DESIGN

IKEA always strives to design and develop products that require the least possible amount of resources, and that integrate solutions for minimising a product’s environmental impact throughout its life-cycle. We hate waste in every form, and try to make good use of spill material from manufacturing for new products whenever possible.

We have decided to develop affordable products that contribute to a more sustainable life at home for our customers. We can help them save energy and water and to minimise household waste – simple measures that contribute to a better world and save on household expenses.

[Read more on page 51](#)

Products



SUSTAINABLE SOURCING OF RAW MATERIALS

Wood and cotton are IKEA’s two most important raw materials, and we want to support the development of sustainable practices deep into an often long and complex supply chain.

We work actively with our partners and have seen positive results this year. We are spreading better management practices in cotton growing areas in India and Pakistan, and increasing the availability of certified wood, particularly in strategically important wood sourcing regions such as China and Russia.

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

[Read more on page 54](#)

Forestry



[Read more on page 59](#)

Cotton

A SUSTAINABLE APPROACH TO WATER

Water is a valuable natural resource that is subject to growing concern. IKEA strives to minimise water consumption both at suppliers’ and in our own buildings, and work actively with suppliers to improve waste water treatment. We are seeing positive results from our efforts to introduce more sustainable water practices in cotton production. Over the coming years, IKEA will adopt a more systematic and comprehensive approach to water.

[Read more on page 51](#)

Products



[Read more on page 62](#)

Water

TACKLING CLIMATE CHANGE

IKEA is concerned about climate change and works to minimise carbon dioxide emissions from all parts of our operations. Over the next few years, IKEA together with WWF will widen the scope in four new projects, which will contribute to our work to fully identify and reduce the carbon footprint throughout the whole value chain.

[Read more on page 51](#)

Products



[Read more on page 66](#)

Transport of products

[Read more on page 68](#)

IKEA buildings

[Read more on page 70](#)

Energy use at suppliers

[Read more on page 71](#)

Transport of people

IMPROVEMENT #15

LACK side table is one of the first IKEA product made from strong and rigid wood-based frames filled with recycled, honeycombed paper. LACK uses less raw material than particleboard, is more lightweight and thus easier to handle both in our transport chain and for our customers.



ENVIRONMENT

ENVIRONMENTAL FOCUS AREAS

THE WAY WE WORK

COST-CONSCIOUSNESS LEADS THE WAY

The IKEA business idea is to offer a wide range of well designed home furnishing products at prices so low that as many people as possible will be able to afford them. Cost-consciousness is essential to this idea. This inspires us to make economical use of all resources and to seek innovative solutions. This in turn helps us to reduce our overall environmental impact.

WORKING TOGETHER WITH OTHERS

We believe we can accomplish more by sharing experiences and learning from others than we could have done by working on our own. This is why we cooperate with companies, trade unions, NGOs and other organisations to develop and strengthen our work.

IKEA works in partnership with the global conservation organisation WWF on projects within forestry, cotton and climate change, and collaborates with many others on a number of environmental issues.



Read more on page 10

List of key organisations



Read more on page 43

Communities

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Cotton

Read more on page 54

Forestry

Read more on page 63

Climate

IMPROVEMENT #16

BESTÅ is made from board-on-strips (BoS), a strong and light material that minimises the use of resources. Just like LACK, it has a honeycombed paper filling, but production is even more efficient. Long strips of particle board or MDF are laid out on large fibreboard sheets, the paper filling is placed between the strips and then topped with another thin layer of fibreboard. The construction is then cut to the product's final shape and dimensions before being lacquered or veneered.



Moving towards a sustainable range and a sustainable life at home

IKEA wants to offer solutions and know-how that enable our customers to live a more sustainable life at home by saving energy and water and minimising household waste. At the same time, we are step-by-step adopting a more systematic approach to developing resource-efficient products with a minimal environmental impact throughout the product's life-cycle.

SOLUTIONS FOR A MORE SUSTAINABLE LIFE AT HOME

IKEA has decided to help customers take simple measures at home that contribute to a better environment and save on household expenses. We believe IKEA products can help customers adopt a more sustainable behaviour at home, and – as a collective of several hundred million people – reduce their overall climate impact. Working in partnership with WWF, our initial focus will be on solutions for kitchens, waste management and lighting:

• Kitchen

Electricity, energy for heating and cooling together with water consumption all represent a significant environmental impact as well as a household expense. IKEA is looking to offer innovative technology for more energy efficient appliances and ways to cook and reduced water consumption.

• Waste

IKEA also wants to help with smarter waste management in the home, and contribute to an overall reduction of household waste. We see great potential for improvements simply by making it easier to sort waste appropriately and to avoid unnecessary food waste.

• Lighting

Lighting commonly accounts for almost 25 percent of electricity consumption in our customer's homes, and IKEA works actively to develop a more sustainable lighting range. Several new products have been introduced to the range with light source solutions based on three main energy-saving techniques; CFL (compact fluorescent lighting), halogen and LED (light-emitting-diode). IKEA will have phased out incandescent lighting from the range by 2010.

Read more on page 63

Climate



IMPROVEMENT #51

IKEA induction hobs offer modern technology at affordable prices. The magnetic field technology make them much faster and more energy-efficient than traditional cast iron and glass ceramic hobs. Only the pots and pans are heated and not the hob itself, so very little heat goes to waste. The efficiency of energy transfer for an induction hob is 80 percent compared to around 55 percent for glass ceramic hobs.



IMPROVEMENT #34

RATIONELL is a simple waste system that helps organise and recycle household waste, more effectively. Easy-to-clean bins will be available in a variety of sizes and are designed for different types of household waste – from glass bottles and newspapers to food scraps and batteries.



IMPROVEMENT #53

Food production uses lots of CO₂, so cutting food waste helps reduce our carbon footprint. IKEA food savers help take better care of fresh food and leftovers. Some products help preserve your food, and help you use just the right amounts to prevent waste when cooking. The RARITET jar for dry storage has a measuring cup in the lid to make getting it right easier. The jar itself is transparent and graduated so you can see how much is left.



IMPROVEMENT #36

SPARSAM low energy bulbs are a great alternative to traditional incandescent bulbs. They last up to ten times longer and the energy consumption is reduced by up to 80% over the bulb's lifetime. One 20-watt bulb provides as much light as a 100-watt incandescent bulb, without getting anywhere near as hot.



THE WAY WE WORK

AN INNOVATIVE APPROACH TO MAKING MORE FROM LESS

IKEA strives to use the least possible amount of resources to make the best possible products, and we work systematically to integrate sustainability into our product solutions. Using hollow legs on furniture and chipboard as filling are classic IKEA ways of saving on wood resources. We are also introducing new quality standards in cotton production to minimise the use of raw material and at the same time enhancing quality, and blending cotton with other materials to reduce cotton use.

Read more on page 36

Product safety



Read more on page 59

Cotton

Read more on page 54

Forestry

RENEWABLE AND RECYCLED MATERIALS

The main raw materials used in IKEA products are wood, cotton, and glass. The latter is recyclable, while wood and cotton are renewable materials. However, the way in which cotton and wood are grown has a large impact on how sustainable these materials are. This is why IKEA is committed to promoting and supporting responsible forestry and cotton cultivation in cooperation with WWF.

Read more on page 54

Forestry



Read more on page 59

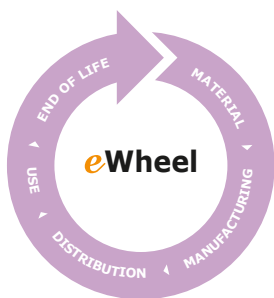
Cotton

MINIMISING WASTE THROUGHOUT THE VALUE CHAIN

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

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

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



Designers, product developers and technicians must consider safety, quality and environmental aspects from the initial design stage throughout the product's life cycle. They use a guiding document "Rules of Thumb" as a checklist for these aspects, and the "E-wheel" to understand and evaluate the environmental impact from products.

The e-wheel has several checkpoints, divided into five phases; materials, manufacturing, distribution, use and end of life.

IMPROVEMENT #10



The "Waste Management Manual" for the IKEA group was established in 1999 requiring all stores to sort the five most common waste items, at a minimum. In practice, this ensures that almost 75% of the waste is sorted in the stores and more than 80% is (at the end of life) recycled or used for energy production.

IMPROVEMENT #24



Did you ever expect that old plastic bottles could become something this smart and stylish? TEPPAS drawer unit is made from 100 percent recycled PET plastic. It is stackable and can be combined with a handy trolley for mobility – perfect for any home office or children’s room.

IMPROVEMENT #44

At IKEA, we hate waste! This is why we take every opportunity to turn spill from production into raw material for other products. LUSY BLOM cushion is one good example. It is filled with leftovers from IKEA quilt production, so we can make sure the content is safe and healthy as well as making use of material that would otherwise be wasted.



IMPROVEMENT #40

Versatile NÄSUM baskets are made from what most people would consider waste: remnants from banana trees after the harvest. Once a banana tree has produced its golden fruit, the trunk slowly dies. Instead of being thrown away, the trunk is cut into strips and left in the sun to dry. Once woven, NÄSUM is made durable with water-based lacquer.



COMMENTS ON KPIS AND FIGURES 2009

During FY09 we maintained a relatively strong result with high levels of recycling. However, it was only IKEA distribution centres that reached the FY09 goal of 90%.

The amount of renewable materials in the IKEA range remained constant at around 70%. Cotton and wood are our two most important raw materials and for these we have separate targets. The development of other targets relating to materials used in IKEA products will be completed in FY10.

KPI – ENVIRONMENT / PRODUCTS

	2006	2007	2008	2009	Goal FY09
Renewable materials used in products					
	72%	71%	72%	71%	75%
Waste recycled, reclaimed or used in energy production					
Stores	80%	84%	85%	86%	90%
Distribution Centres	86%	76%	90%	90%	90%
Swedwood			72%	74%	90%

Increased efforts for better access to certified wood

Wood is one of the most important raw materials for IKEA. As wood is both renewable and recyclable, it is a sound environmental choice, provided it comes from responsibly managed forests. Although we have seen significant progress this year, we still need to step up long-term activities to increase the amount of wood from responsibly managed forests in IKEA products.

IMPLEMENTING UPDATED FORESTRY REQUIREMENTS

We have started implementing our updated requirements on forestry suppliers after last year's review, including the new requirement that IKEA suppliers must perform risk assessments of their wood supply chains. IKEA representatives have informed and are training suppliers to ensure they understand so they in turn can implement the requirements at their sub-suppliers.

MONITORING FOCUSED ON HIGH-RISK SUPPLY

IKEA has decided to focus its approach and resources for supplier monitoring and wood supply chain audits on high-risk suppliers and high-risk areas. This means that IKEA suppliers already sourcing wood which is certified from acknowledged forest certification schemes will be audited by independent auditors. Our internal audit resources will focus on suppliers that are not yet forest management or chain-of-custody certified, e.g. suppliers operating in areas associated with risks of unacceptable forest management practises including illegal logging, and suppliers that have failed earlier audits.

SWEDWOOD CLOSE TO CERTIFYING ALL ITS UNITS

Swedwood, the industrial arm of IKEA, has all its forest leases certified and is close to having implemented chain-of-custody certification in all its industrial units. This has contributed to a significant increase in IKEA's share of FSC-certified wood, from 7 percent to 16 percent. Similar certification projects are being initiated with key external suppliers to increase their access to certified wood, and to ensure they can implement traceability procedures also at sub-suppliers. However, developments are expected to be slower among external suppliers as IKEA's influence is more indirect compared to that on Swedwood.

BETTER CHAIN-OF-CUSTODY DOCUMENTATION

Some strategically important IKEA suppliers have access to wood from certified forests, but have not yet implemented chain-of-custody certification to verify this. As a result these wood volumes cannot be accounted for in the statistics over certified wood. This is why IKEA is supporting selected suppliers to evaluate their complex wood supply chains and ensure proper documentation. We believe this will significantly improve the overview of the sourcing and in the long-term contribute to increasing the share of certified wood in IKEA products.

CONTINUED FOCUS ON RUSSIA AND CHINA

IKEA is engaged in a number of projects together with WWF to address the challenges of illegal logging and unsustainable forestry in Russia and China, which are two of IKEA's most important wood sourcing countries. We have also chosen to concentrate more of our own resources to the area, and today have nine forestry specialists dedicated to China and Russia. One of these specialists focuses entirely on cross-border trade. Approximately one quarter of the wood IKEA sources in Russia is processed in China.

The Global Forest & Trade Network in Russia has expanded to include 50 members that represent 78 percent of all FSC-certified forests in Russia, and 19 percent of Russian production forests are now FSC-certified. However, IKEA suppliers have unfortunately not been able to access much of these newly certified wood volumes, since the areas are located far from their production sites. This is why we will promote future certification projects in areas that key IKEA suppliers can access so they more easily can increase their certified wood volumes in the future.

IMPROVEMENT #37



IKEA and WWF work together to combat illegal logging and to increase the availability of wood from forests certified as responsibly managed. The co-operation started in 2002 and has contributed to doubling the certified forest areas in China. It has helped increase the certified forest areas in Russia from 3.3 million to about 20 million hectares – making it the world's second largest country by certified forest areas.

We have also seen progress with increased forest certifications in China during the year. WWF has provided both technical support and research to Chinese authorities in developing a guideline for sustainable overseas forest development, including Russia. A custom's pocket guide on how to identify legal timber is currently under development and will be published during spring 2010.

IMPROVEMENT #9

NORDEN birch tables are a great example of how IKEA tries to get the best possible return from every tree trunk. Introduced in 1998, it was probably the first time anyone had thought of making furniture also from the knotty top part of the birch tree instead of burning it as firewood or grinding it for chipboard production.



THE WAY WE WORK

A STRATEGIC APPROACH TO FORESTRY CHALLENGES

Our long-term goal is to source all wood used in IKEA products from forests certified as responsibly managed, according to a system recognised by IKEA. IKEA refers to such forests as preferred sources. Today, Forest Stewardship Council (FSC), including Forest Management (FM) and Chain of Custody (CoC) standards, is the only certification scheme recognised by IKEA.

IKEA sees wood as a valuable resource. Resource efficiency is of great importance not only from an environmental point of view but also from a cost perspective. We are constantly searching for new techniques to get the best possible return from every tree trunk, as well as improved solutions for the wood supply chain.

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

The Wood Supply function of IKEA works to support selected wood suppliers in developing efficient and sustainable supply strategies. Its aim is to secure future price reductions and access to competitive wood raw material. The function also contributes with competence to find and develop unique wood value chains that can deliver lowest total wood raw material cost.

TOP 5 TREE SPECIES USED IN IKEA PRODUCTS

Pine, Birch, Spruce, Beech, Oak

TOP 5 WOOD SOURCING COUNTRIES

Poland, Russia, China, Romania, Sweden

IKEA SUPPORTS SUPPLIERS' WOOD SOURCING

All IKEA wood suppliers must live up to the IKEA code of conduct IWAY. There is also a set of specific wood requirements that applies to all suppliers of solid wood, layer-glued, veneer and plywood. These suppliers must be able to document the origin of their wood every four months, which forms the basis for our wood supply chain audits.

IKEA does not accept illegally harvested wood, and wood from intact natural forests is only accepted if certified to a system acknowledged by IKEA. To avoid sourcing unwanted wood, IKEA uses risk maps developed together with Global Forest Watch and World Resources Institute. We use data from our supplier wood origin questionnaire and make risk assessments as the basis for selecting suppliers for wood supply chain audits.

IKEA forestry specialists spread knowledge about responsible forestry in the wood supply chain. They also support our trading service offices with wood supply chain audits, when they trace the supply of wood all the way back to the forest to verify that IKEA requirements are met. In addition, third-party auditor Rainforest Alliance SmartWood Program conducts wood supply chain audits for IKEA.

COOPERATING WITH WWF

IKEA cooperates with WWF to support responsible forestry, and to increase the availability of certified wood. For example, there are joint WWF projects aiming to ensure responsible forest management practices and to curb illegal logging in the cross border trade between China and Russia, as well as a number of projects in Laos, Cambodia, Lithuania, Bulgaria, Romania and Ukraine.

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

Read more at
www.panda.org/forests/ikea
WWF projects



Read more at www.gftn.panda.org
GFTN

COOPERATING WITH RAINFOREST ALLIANCE

IKEA works with the Rainforest Alliance Trees Programme in China. Through this project and together with WWF China, Chinese Academy of Forestry & Forest Stewardship Council (FSC), IKEA is supporting the goal of attaining an additional 1 million hectares of FSC certified well managed forest by 2011.

In 2008-9 the project team has engaged in more than 40 outreach and training events that have reached more than 1,400 people on topics related to sustainable forest management and forest certification.

COMMENTS ON KPIS AND FIGURES 2009

During the year, IKEA used about 21 percent less solid wood compared with FY08. This is in part a result of our increased use of board material rather than solid wood.

The audited wood volumes were significantly lower in FY09 than previous years. Our internal audit resources have focused on high-risk suppliers and high-risk areas. IKEA suppliers already sourcing wood, which is certified by acknowledged forest certification schemes, have instead been audited by independent auditors. These tactics have already shown good results – the approved audited volume in these wood supply chain audits have increased from 80% to 92%.

Almost all wood suppliers now comply with our minimum requirements and we can see progress in the share of wood in IKEA products coming from forests certified as responsibly managed. During the year this share increased, largely due to that Swedwood, the industrial arm of IKEA, now has all its forest leases certified and is close to having implemented chain-of-custody certification in all its industrial units.

However, IKEA did not reach the set target of 30 percent of solid wood from verified responsibly managed forests by FY09. Even if some IKEA suppliers have access to wood from certified forests, they have not yet implemented chain-of-custody certification to verify this and as a result these wood volumes cannot be accounted for in the statistics of certified wood.

Our new strategic direction (2010-2012) contains a series of actions to increase certified wood volumes in IKEA products. For instance, by supporting selected suppliers to evaluate their complex wood supply chains and ensure proper documentation, we believe this will long-term contribute to increasing the share of certified wood in IKEA products. The new goal is to have a 35 percent share of wood from forests certified as responsibly managed by 2012.

KPI – ENVIRONMENT / FORESTRY

	2006	2007	2008	2009	Goal FY09
Share of solid wood, veneer, plywood, layer glued wood used in IKEA products that meet IKEA minimum requirements	91%	94%	96%	97%	100%
Share of wood used in IKEA products coming from forests certified as responsibly managed	7%	6%	7%	16%	30%

OTHER FIGURES

	2006	2007	2008	2009
Total wood used in IKEA products (cubic metres)	6,400,000	7,080,000	7,223,000	5,686,000
Number of wood supply chain audits	90	50	84	60
Audited volume (in wood supply chain audits), cubic metres / % of total wood used in IKEA products	2,100,000 33%	900,000 14%	1,500,000 20%	500,000 9%
Approved audited volume (in wood supply chain audits) %	66%	59%	80%	92%
Number of third party audits	4	4	3	3

IKEA requirements for wood* used in IKEA products

The IKEA Forestry Standard is an industry-specific supplement to the IKEA code of conduct IWAY. It contains basic requirements for all suppliers using solid wood, layer-glued, veneer and plywood for IKEA products. Updated requirements were taken into force in April 2009.

Wood* used in IKEA products must fulfil the following minimum criteria:

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

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

Requirements for wood from IKEA preferred sources:

Wood certified according to Forest Stewardship Council (FSC) Forest Management (FM) and Chain of Custody (CoC) standards meets the IKEA requirements for preferred sources. Suppliers using preferred wood sources must also have a valid FSC Chain of Custody or other chain of custody certificate recognised by IKEA, covering in its scope the production for IKEA.

*Applies to solid wood, layer-glued, veneer and plywood.

Increased activities for more sustainable cotton production

Cotton is one of our most important raw materials, and we want the cotton used in our products to be produced in a sustainable manner. We have increased our engagement in a number of activities deep into a long and complex supply chain in order to speed up results and move closer to sustainable cotton cultivation and processing.

SIGNIFICANT RESULTS FROM FARMING PROJECTS

IKEA and WWF started cooperating to improve cotton farming practices in India and Pakistan in 2005 by giving farmers access to hands-on training and support. Initially, 450 farmers joined the IKEA and WWF projects, and IKEA now estimates that around 60,000 farmers will implement better farming practises in 2010.

We believe this will lead to significant improvements in mainstream cotton farming in several cotton producing states in both countries, and drastically increase available volumes of cotton grown in a more sustainable manner.

2009 WWF estimates show that farmers on average have reduced the use of chemical pesticides by 50 percent, while water consumption has also been halved and the use of chemical fertilisers has been cut by 30 percent. At the same time, farmers' average earnings have increased by approximately 40 percent.

IMPROVEMENT #18

The cotton in DVALA bed linen is grown in a more sustainable way, using substantially less water, chemical fertilisers and pesticides. Not only that, the fabric is woven using 15% less cotton but still feels just as good as comparable bed linen.



CONNECTING SUPPLIERS TO MORE SUSTAINABLE COTTON

We support IKEA suppliers working with cotton textiles to connect with suitable raw material sources. IKEA has also facilitated access to a number of new cotton sources to enable suppliers to blend the right quality. In return, we have decided that IKEA textile suppliers must commit to buying more sustainable cotton when available.

In 2008, the IKEA and WWF projects generated 34,000 tonnes of cotton grown in a more sustainable manner, and IKEA suppliers bought 12,500 tonnes for use in IKEA products. In 2009, the total available volume was 150,000 tonnes and IKEA suppliers bought 23,000 tonnes (the target was 50,000 tonnes).

We will continue to buy only parts of the volumes created with more sustainable management practices in order to avoid creating premium prices and in order to speed up the process of making this cotton a tradable commodity available to all.

THE WAY WE WORK

A STRATEGIC APPROACH TO COTTON CHALLENGES

Our long-term goal is to source all cotton used in IKEA products from more sustainable cotton production. The availability of sufficient volumes will determine how quickly we can achieve this goal. In the meantime, IKEA will step-by-step increase the overall share of this more sustainable cotton across the range rather than focusing on individual products.

Cotton is a raw material with excellent comfort qualities, but also a material associated with major concerns for both people and the environment. IKEA works to reduce its need for cotton, but it is not realistic to believe all cotton can be replaced with alternative materials. This is why we work actively to increase the availability of more sustainable cotton.

IKEA wants to influence mainstream cotton producers to move towards a more sustainable production, and believes that the best way to achieve lasting positive change is to cooperate with others. We have decided to begin by addressing the challenges in India and Pakistan, which are two of our most important cotton sourcing countries, with large cultivation areas and need for environmental and social improvements. However, IKEA is at the end of a long and complex supply chain. Achieving major change in mainstream cotton production will take time, and requires cooperation with many parties including other international companies, NGOs, governments and authorities.

ENVIRONMENT

COTTON

IKEA cooperates with WWF to spread more sustainable cotton growing practices, and IKEA Social Initiative cooperates with UNICEF and Save the Children to address children's rights issues associated with cotton farming. IKEA is also a founding member of the Better Cotton Initiative (BCI).

REDUCING OUR NEED FOR COTTON

IKEA wants to reduce its reliance on cotton as a raw material for our products. Alternative materials include Lyocell made from cellulose fibres, which is already used in a number of IKEA products. Another way to further reduce the need for cotton is to use a blend of for example linen and cotton.

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

PART OF THE BETTER COTTON INITIATIVE (BCI)

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

This year, a draft set of criteria were introduced for testing in regional pilot projects in West Africa, Brazil, Pakistan and India. These draft criteria cover environmental aspects such as the use of chemicals and water as well as social aspects relating to child labour, working conditions and wages. The tests will be monitored and evaluated over the next few years to see if the criteria need further revision.

Read more at www.bettercotton.org
BCI



IKEA AND WWF JOINT COTTON PROJECTS

Since 2005, IKEA and WWF run joint projects in Pakistan and India to support improved working methods for cotton cultivation and processing. The projects provide farmers with hands-on training and support to introduce Better Management Practises (BMP), which enable them to reduce their environmental impact and improve efficiency while maintaining cotton crop yields and increase their gross margins. Initially, WWF set up so called Farmer Field Schools involving 450 farmers. In order to increase the number of involved farmers and speed up results, projects now also involve a number of local organisations that use similar approaches.

ADDRESSING CHILDREN'S RIGHTS IN PAKISTAN AND INDIA

IKEA Social Initiative has identified cotton and cotton-seed farming as areas where there is a great need to improve the rights and lives of children. That's why we support new child rights programmes in a number of cotton producing states in India and Pakistan managed by UNICEF and Save the Children. By 2012, around 10 million children in more than 15,000 villages will benefit through improved access to quality education.

Read more on page 43

IKEA Social Initiative



IMPROVEMENT #49

The soft, densely woven fabric in IKEA 365+ RISP bed linen is made from 50% cotton and 50% Lyocell. This renewable cellulose-based material is derived from wood fibres from tree farms, which use less water than cotton farms. Also, the chemicals needed for this product's production process are recycled in a closed system to minimise environmental impact and waste.



COMMENTS ON KPIS AND FIGURES 2009

Our long-term goal is for all cotton used in IKEA products to come from more sustainable cotton production. Availability of sufficient volumes will determine how quickly we can achieve this goal. In the meantime, IKEA will step-by-step increase the overall share of this more sustainable cotton across the range rather than focusing on individual products.

KPI – ENVIRONMENT / COTTON

	2009	Direction
Share of more sustainable cotton used in IKEA products	5.4%	100%

OTHER FIGURES

	2009
Total amount of cotton used in IKEA products (tonnes)	212,758
Total amount of more sustainable cotton in IKEA products (tonnes)	11,481

Addressing growing concerns over water

Water is a valuable resource that is subject to growing concern, and IKEA wants to minimise its total water footprint. IKEA works actively on a number of water related issues, and will gradually adopt a more systematic and comprehensive approach in this area.

REDUCING WATER CONSUMPTION AT IKEA

All IKEA stores and distribution centres have social and environmental co-ordinators who work with sustainability related training, working conditions, safety, waste management, and energy and water conservation. They measure water consumption in IKEA buildings, and several stores have implemented various measures to reduce consumption. For instance, IKEA France has waterless urinals in new stores and is retrofitting others with grey water systems so that roof run-off water can be used for toilet flushing.

WATER TREATMENT AND CONSUMPTION AT SUPPLIERS'

The IKEA code of conduct, IWAY, includes requirements on water treatment. IKEA supports suppliers to implement waste water treatment processes to ensure water quality in suppliers' local communities. Audits have proven good progress in Pakistan and Bangladesh, where IKEA has supported the implementation and maintenance of waste water treatment systems to ensure that capacity is proportional to waste water volumes.

All IKEA suppliers must have action plans on how to reduce water consumption, and IKEA supports suppliers in regions with scarce water resources. In India, we have helped suppliers improve water recycling and set targets for continued improvements.

DESIGN TO MINIMISE WATER USE IN MANUFACTURING

Product design can determine the amount of water needed in manufacturing, and IKEA has identified a number of techniques that could be used to reduce consumption. For example, a printing technique called Soft Pigment Printing (SPP) reduces the water consumption by 60% compared to traditional printing techniques. While the colour quality is comparable to traditional printing methods, SPP is used for light-medium colours. Today, 40% of our printed textile products are produced with techniques that require less water, and there is good scope to further reduce water use simply by increasing the share of light and medium coloured products in the range.

SUSTAINABLE WATER PRACTICES IN COTTON FARMING

The IKEA and WWF joint project for more sustainable cotton farming in India and Pakistan has reduced participating farmers' water consumption significantly through the introduction of better management practices. Cotton farming can be highly water intensive if appropriate irrigation methods are not in use, but project results show that water use can be halved. These better management practices are now being spread more widely as part of the joint project.

[Read more on page 59](#)

Cotton



HELPING CUSTOMERS SAVE WATER AT HOME

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

[Read more on page 51](#)

Products



IMPROVEMENT #30

RINGSKÅR taps come with a flow control function. The water flow can be adjusted in two steps with the lever, so customers can avoid unnecessary water waste. Most IKEA taps are fitted with a Pressure Compensating Aerator (PCA) that can reduce water use by 30%.



Stepping up activities to tackle climate change

IKEA is concerned about climate change and wants to reduce carbon dioxide emissions from all aspects of our operations. This is why we have expanded our climate cooperation with WWF, and stepped up activities to cut emissions from our own buildings.

EXPANDING THE CLIMATE COOPERATION WITH WWF

A majority of carbon dioxide emissions related to IKEA come from material extraction, suppliers, customer transportation and the use of products. IKEA has cooperated with WWF to tackle climate change since 2007, initially focusing on customer transportation and energy use at IKEA suppliers. We have now decided to expand the cooperation and start four new climate projects that will help us widen the scope:

• Climate positive opportunities

This project aims at mapping the opportunities IKEA has to create an overall positive climate impact, by also reducing emissions outside our conventional scope. We want to get a rough estimation of carbon dioxide emissions from every aspect of the IKEA value chain, from raw material extraction all the way to how customers use our products at home and how they are recycled. For instance, by providing products, solutions and information we can help consumers to live a more sustainable life at home.

• Promoting a more sustainable life at home

This project aims at identifying products and services that IKEA could offer to help our customers live a more sustainable life at home, and at creating customer awareness of how they can help slow down climate change.

[Read more on page 51](#)

Products



• Climate perspective on food products

This project aims at finding ways to adapt the IKEA food range to be more climate smart, and what IKEA can do to influence both food suppliers and the customers who buy our food products.

• Closing the loop

This project aims at identifying what IKEA can do to improve the recycling of IKEA products once customers no longer want them, in ways that are adapted to each market's conditions and infrastructure. We also want to find ways to better utilise recycled materials in new products.

BIG INVESTMENTS IN IKEA BUILDINGS

A decision to invest heavily in solar panels in eight countries over the next few years was a milestone for our long-term direction to supply all IKEA buildings with 100 percent renewable energy. At the same time efforts to improve IKEA's overall energy efficiency by 25 percent compared to FY05 continue.

[Read more on page 68](#)

IKEA buildings



IMPROVEMENT #43



IKEA cooperates with WWF on projects aimed at reducing the impact on the climate. One example is that IKEA and WWF – together with selected suppliers in Poland, Sweden and China – are creating a casebook of good examples for how suppliers can save energy, money and become less reliant on fossil fuels for manufacturing,

heating and cooling. We also cooperate by doing pilot studies in the United Kingdom, China and the United States that aim to promote sustainable modes of transport in partnership with local authorities, businesses and organisations. After pilot tests, good ideas can be spread to other markets.

THE WAY WE WORK

CREATING A COMPLETE MAP OF OUR CLIMATE IMPACT

IKEA wants to reduce carbon dioxide emissions from all aspects of our operations – from how raw materials are extracted, how our products are manufactured, how the products are transported, how we heat, cool and light our buildings, how people are transported to and from our stores, and finally from the use of our products in customers' homes.

This is a great challenge, but IKEA is making progress. We are investigating the overall climate impact from our operations and cooperate with others to establish standards on measuring emissions.

Read more on page 68

IKEA buildings



Read more on page 66

Transport of products

COOPERATING WITH WWF ON SUPPLIERS' EMISSIONS

IKEA and WWF run joint pilot projects with ten suppliers in Poland, Sweden and China to promote and create efficient production practices at IKEA suppliers. The focus lies on energy efficiency and renewable energy to reduce CO₂ emissions.

Read more on page 70

Energy use at suppliers'



CO-OPERATING WITH WWF ON PEOPLE TRANSPORT

IKEA and WWF run pilot projects in the United Kingdom, China and the United States to find more sustainable ways to transport people to and from IKEA stores, helping them to leave the car at home and reduce CO₂ emissions.

Read more on page 71

Transport of people



COMMENTS ON KPIS AND FIGURES 2009

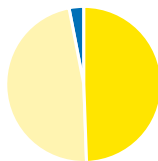
In FY09 IKEA has decreased total carbon dioxide emissions by five percent from the previous year, while at the same time continuing to lower emissions per sold volume of products. Data shows net positive results from efforts to reduce emissions in distribution centers, office buildings, goods transports and from business travels.

There are still no established standards for measuring emissions throughout the entire value chain but working together with academic institutions IKEA has started estimating these emissions. In 2010, IKEA will also participate in the Greenhouse Gas Protocol Initiative, by road testing a new global framework for measuring greenhouse gas emissions, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Current calculations show that 95 percent of the carbon dioxide emissions related to IKEA and our products are attributed to material extraction, suppliers, customer transportation and the use of products.

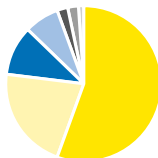
CO₂ EMISSIONS, %

- IKEA buildings (Stores, Distribution Centres, Swedwood, IKEA offices), 50%
- Goods transport, 48%
- Business travel, 3%



CO₂ EMISSIONS, TOTAL CHART, TONNES

- Raw material extraction and processing, sub-suppliers and sub-contractors, 15,660,060 tonnes
- Customer product use, 6,000,000 tonnes
- Suppliers, 2,933,386 tonnes
- Customer transportation, 2,034,286 tonnes
- IKEA units, 609,233 tonnes
- Goods transport, 582,000 tonnes
- Business travel, <1%



FIGURES

	2006	2007	2008	2009
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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

CO₂ emissions, tonnes CO₂

Scope 1	103,936	84,070	92,464	108,796
Scope 2	455,690	514,656	498,350	500,437
Scope 3 (goods transport only)	525,019	590,000	695,565	613,040
Total	1,084,645	1,188,726	1,286,379	1,222,273

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

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

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

CO₂ emissions, tonnes CO₂

Stores	321,522	309,366	315,486	326,700
Distribution centres	63,306	42,616	42,824	39,963
Swedwood	169,672	196,001	227,326	239,620
Offices	5,127	5,178	5,178*	2,950
Total IKEA buildings	559,627	553,161	590,814	609,233
Goods transport	521,620	590,000	650,000	582,000
Business travel	n/a	45,565	45,565*	31,040
Total	1,081,247	1,188,726	1,286,379	1,222,273

Total kg CO₂/m³ produced for IKEA	59	56	56	53
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* not available, assumed similar as 2007

Helping transport service providers reduce CO₂ emissions

IKEA wants to reduce carbon dioxide emissions from goods transport and works continuously on the factors that will help us to achieve this, for example, through improved filling rates. In addition, we have entered into a number of collaborations with retailers, carriers and other companies to support transport service providers' efforts to reduce emissions.

PROGRESS IN ALTERNATIVE FUEL PROJECT

Together with Preem, H&M and Volvo Logistics, IKEA has participated in a project to support transport service providers make the transit from fossil fuels to alternative fuels. The collaboration resulted in a number of Preem fuelling stations being opened in Sweden during the summer of 2009. During the summer months, these stations provide alternative fuel, Bio30, which contains a 30% blend-in of rapeseed oil.

INCREASING AWARENESS TO MAXIMISE FILLING RATES

IKEA has worked to increase the awareness along the value chain – from designers and packaging technicians to loading unit designers, purchasers and others – to further improve filling rates. Each IKEA trading area now has a filling rate coordinator, analysis tools have been developed, and a training package is under way. Our efforts to widen the responsibility to the entire value chain have been well received and are expected to continue to positively impact filling rates.

IMPROVEMENT #56



Initiative, persistence and great teamwork often lead to great results. Take Lee, a co-worker in one of our Californian stores. Lee came up with a way to improve the packaging of ALÄNG table lamps and tipped off IKEA packaging technicians in Sweden who in turn conferred with suppliers. Now each pallet holds 24 ALÄNG lamps compared to only 18 before, and this means great CO₂ savings from transport.

THE WAY WE WORK

INNOVATIVE DESIGN INCREASES FILLING RATES

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

IKEA continually innovates in other types of packaging to maximize the use of space. Already at the drawing table, designers and product developers include considerations to packaging solutions as part of their assignment. Product packaging is adapted to fit exactly onto pallets. New furniture is only brought into the range if they can be flat packed and optimised on the pallet.

[Read more on page 51](#)

Products



ENVIRONMENTAL REQUIREMENTS ON TRANSPORT SERVICE PROVIDERS

All IKEA transport service providers must comply with the IKEA code of conduct, IWAY, as well as a number of transport specific environmental requirements specified in an IWAY supplement. These transport specific requirements are mainly focused on reducing exhaust emissions.

[Read more on page 29](#)

Requirements on transport service providers



ENVIRONMENT

CLIMATE / TRANSPORT OF PRODUCTS

COMMENTS TO KPIS AND FIGURES 2009

According to calculations based on current conditions, an increase of the filling rate from 63 percent to 70 percent can potentially reduce the carbon dioxide emissions from transportation with 6.3 percent.

IKEA has set a target to achieve a filling rate of 70 percent by FY12. During the year the filling rates increased and based on our work to increase the awareness along the value chain we expect a continued positive development.

IMPROVEMENT #17

The IKEA patented Loading Ledges are a smart alternative to traditional wooden pallets because they expand and contract to fit the size of the load. They're made from polypropylene plastic that is continuously recycled and made into new ledges. Their size and shape are optimised for containers and forklifts. Thanks to the ledges' low weight, containers can be loaded with two tons more goods than if wooden pallets were used.



KPI – CLIMATE / TRANSPORT OF PRODUCTS

	2007	2008	2009	Goal FY10
Carbon dioxide emissions reduction per transported m³ kilometre (relative to 2006) (CO₂ g/m³km)	-12%	-14%	-12.4%	-12%

OTHER FIGURES

	2006	2007	2008	2009
Modes of transport (goods volume)				
Road	70%	69%	69%	72%
Ocean	15%	17%	18%	15%
Rail	6%	5%	4%	3%
Combined transport	9%	8%	9%	10%
Filling rate				
Inbound (supplier to warehouse)	61%	62%	60%	63.1%
Outbound (warehouse to store)	59%	56%	58%	59.8%

Solar panel investment decision seen as milestone for “IKEA Goes Renewable”

“IKEA Goes Renewable” is our project to reduce carbon dioxide emissions from our own buildings. This year’s decision to invest heavily in solar panels in eight countries over the next few years is a milestone towards our long-term direction to supply all IKEA buildings with 100 percent renewable energy. At the same time efforts to improve IKEA’s overall energy efficiency by 25 percent compared to FY05 continue.

MILESTONE DECISION ON SOLAR PANELS

IKEA has decided to install photovoltaic (solar) panels to turn sunshine into electricity on a number of stores and distribution centres over the next few years. This involves eight countries: Spain, Portugal, Italy, France, Czech, Slovakia, Germany and Belgium.

Up to 150 stores and distribution centres are to be fitted with new solar panels that will provide about 10 percent of their electricity need. For distribution centres, which require less electricity than stores, the solar panels may contribute up to 25 percent of their electricity need.

Today, only nine IKEA buildings have solar panels installed. We expect to reach some 30-40 buildings by the end of FY11.

ALTERNATIVE ENERGY SOURCES USED FOR HEATING

IKEA wants to move away from the dependence on fossil fuels. This is why space and water heating for new IKEA buildings comes from more sustainable sources whenever possible. This is done using ground source heat pumps, air heat pumps, biomass boilers and solar panels.

Most new construction projects incorporate one or more renewable sources of heating. For example, all new stores in Sweden are being fitted with geothermal heating and cooling systems, and more than 20 IKEA units worldwide have been fitted with biomass boilers in the past two years. Solar hot water heating systems are installed at more than 50 IKEA sites. At the Logan store in Brisbane, Australia the system supplies all hot water for the store all year round using heat from the sun. The savings on energy costs is expected to cover investment costs in only two years.

RETRO-FIT AUDIT COMPLETED

An audit of all existing IKEA buildings (including stores, distribution centres, Swedwood factories and offices) was completed in FY09 and individual action plans for “retro-fits” will be implemented on all IKEA markets over the next few years. These measures will have a major impact on IKEA’s overall energy efficiency and use of renewable energy.

All buildings showed scope for improved energy efficiency, ranging from five percent to forty percent. Action plans include updating lighting with more energy efficient solutions, installing biomass boilers to replace gas boilers, improving insulation, installing motion sensors to control light and improving building management systems to help increase energy efficiency.

So far, more than 200 IKEA stores have replaced between 2,000 and 4,000 of their 50 or 35 watt spotlights with a 20 watt version, and combined this with low-energy fluorescent lights in the ceiling. By the end of FY10, almost all stores will have completed this transition. At the same time, about half of all IKEA distribution centres have installed motion devices to steer low-energy lighting – measures that save up to 50 percent on lighting electricity consumption.

IMPROVEMENT #26

At the IKEA store in Corsico, Milan, 304 geoprobes penetrate the ground to a depth of 87 to 125 metres – 30 kilometres of drilling in total – over a 10,000 square metre area. Thanks to three heat pumps, the system supplies 1,600 kW thermal power and 1,400 kW of refrigerating power. That’s a savings of 300 tons of petroleum per year, or 800 tons of carbon dioxide emissions.



IMPROVEMENT #45

IKEA Norway’s Slependen store gets 80% of all its heating and cooling energy from its own geothermal installation. Eighty geo wells underneath the store’s parking spaces make this the third biggest geothermal installation in Scandinavia.



THE WAY WE WORK

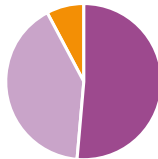
“IKEA GOES RENEWABLE”

“IKEA Goes Renewable” is our project to reduce carbon dioxide emissions from IKEA buildings. Our long term direction is that all IKEA buildings shall be supplied with 100 percent renewable energy. We also want to improve our overall energy efficiency by 25 percent compared to FY05.

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

ACTUAL ENERGY CONSUMPTION, KWh

- Stores, 51.6%
- Swedwood, 40.7%
- Distribution Centres, 7.7%



STANDARDS FOR ENERGY MANAGEMENT

IKEA establishes and updates standards continuously in order to make better equipment and energy management choices. This translates into savings that improve energy efficiency considerably. IKEA has standards for the most important building components of stores, and specifies a range of energy efficient measures for new IKEA buildings.

The possibility to use renewable heating equipment is part of the evaluation process when existing buildings are reviewing their equipment.

Newly built facilities use, where possible, bio fuels, geothermal heat, solar, wind or water power. New stores are designed to use less than 45 kilowatt hours per cubic metre sold, by year five after store opening. The current average performance for stores is close to 70 kilowatt hours per cubic metre sold.

A number of projects both global and local are being undertaken to encourage all IKEA buildings to continuously improve energy efficiency. Some of these get input and support from partners, for example there are partnerships between WWF and IKEA in Austria and Switzerland.

COMMENTS TO KPIS AND FIGURES 2009

The share of renewable energy increased slightly in all IKEA buildings during the year, most notably in the distribution centres.

For FY09 there was no significant improvement in the energy efficiency rates. However, the audit of existing IKEA buildings in FY09 resulted in individual action plans which are expected to increase the overall energy efficiency in IKEA buildings over the next few years.

KPI – CLIMATE / IKEA BUILDINGS

	2006	2007	2008	2009	Direction
Renewable energy					
Stores	25%	28%	36%	38%	100%
Distribution Centres	26%	30%	35%	41%	100%
Swedwood	60%	59%	62%	63%	100%
Total	39%	42%	47%	49%	100%

Improved energy efficiency compared to 2005/m³ goods sold

Stores	-6%	7%	9%	7%	25%
Distribution Centres	14%	29%	24%	20%	25%
Swedwood	8%	15%	28%	23%	25%
Total	1%	9%	11%	9%	25%

Addressing the carbon footprint from the IKEA supply chain

Efforts aimed at helping suppliers reduce their energy consumption are already showing promising results as part of our ongoing work to cut carbon dioxide emissions at IKEA suppliers. We are also seeing positive results from our pilot project with WWF.

GOOD START TO SUPPLIER ENERGY EFFICIENCY PROJECT

IKEA has set up a project group to develop tools for increased energy efficiency at suppliers with the ambition to reduce suppliers' energy use by 30 percent or more by 2011. We believe we can help suppliers reduce their energy consumption and their energy costs, which in turn make them more competitive. We have chosen to focus efforts on the largest suppliers that rank the highest in terms of energy consumption. Suppliers in six material areas are included: textile, glass, stone ceramics, plastics, board materials and aluminium.

Each category has specific guidelines on actions that will generate considerable reductions. Using the guidelines and an energy audit, IKEA and its suppliers formulate action plans taking into consideration the capacity of the supplier to implement the improvements. In China, two glass suppliers have already reduced their carbon footprint and energy consumption by more than 40 percent.

PILOT PROJECTS WITH WWF SHOW BIG POTENTIAL

IKEA and WWF run joint pilot projects with ten suppliers in Poland, Sweden and China to promote and create efficient production practices at IKEA suppliers. The focus lies on energy efficiency and renewable energy, using an approach similar to that of our project "IKEA Goes Renewable".

Results from Swedish suppliers show a potential to reduce energy consumption by up to 40 percent, while results from Chinese suppliers show a potential for 10–46 percent reduction. These experiences will be used in developing new projects and working methods.

The results from Poland are being analysed further, but one Polish factory already aims to shift to 100 percent renewable energy by installing two wind power plants. This will generate an energy surplus if sold to the grid, which will shorten the pay-back time on investments.

Read more on page 68
"IKEA Goes Renewable"



Developing tools for more sustainable transport of people

IKEA wants to reduce CO₂ emissions from people transportation. Today, around 10 percent of IKEA customers use public transport to get to and from the stores, while most depend on their own vehicle. We are developing a number of tools that will help us to make it easier for customers to leave their cars at home, and support our co-workers to minimise travel and/or make informed travel arrangements.

IKEA AND WWF JOINT EMISSIONS PROJECTS

IKEA and WWF run pilot projects in the United Kingdom, China and the United States to find more sustainable ways to transport people to and from IKEA stores. We want to help people leave the car at home by promoting mass transit, improving home delivery services and exploring solutions that enable customers to use more environmentally friendly transport modes.

This year, the projects worked together with universities and external expertise to estimate CO₂ emissions, and the project in the UK developed a toolbox for how to work with people transportation. This will be evaluated during FY10 to see if the toolbox can contribute to finding future alternative means of transportation also on markets with different conditions and challenges.

CONTINUED SUCCESS FOR "MEETING THE IKEA WAY"

Our initiative "Meet more travel less" to reduce business travel showed significant results in its second year. Travel costs dropped by 20 percent compared to FY08, reduced IKEA's environmental impact, and improved the work-life balance for IKEA co-workers.

There has been a substantial shift from travel to virtual meetings following our investments in technology to encourage video-, web- and phone meetings. This year, IKEA conducted 52,000 web meetings involving 170,000 participants.

IMPROVEMENT #14

IKEA wants to make it easier for customers to leave their cars at home, and we are willing to try all sorts of ideas. In Denmark, IKEA stores lend customers bicycles equipped with trailers that can transport up to 45 kg per trip.



BETTER INFORMED BUSINESS TRAVEL

IKEA has initiated a project to enhance the internal communication on the environmental impact from different travel alternatives in between different IKEA locations. This will ensure that IKEA co-workers take both economic and environmental costs into consideration when choosing travel method. The information will be made accessible to co-workers in FY10 through the IKEA Intranet.

ENCOURAGING WORK AT TRAVEL SUPPLIERS

IKEA has started to look into airline companies' environmental work through a questionnaire. In addition IKEA now includes environmental aspects in the annual hotel service procurement process. In order to be a preferred hotel partner to IKEA a number of basic environmental requirements must be met. In addition, IKEA will only do business with hotels that live up to a number of safety and security requirements.

LOCAL INITIATIVES AIMED A CO-WORKERS

Several IKEA markets have introduced initiatives to encourage co-workers to use public transport to and from work. For example, IKEA Czech and Slovak gave all co-workers free yearly public transport passes and IKEA Hungary gave free public transport passes valid for six months to all their co-workers under the slogan "Lots of small green steps = huge sustainable strides together!"

COMMENTS TO KPIS AND FIGURES 2009

During FY09 around 10 percent of IKEA customers used public transportation to get to and from the stores.

This area is a challenge, but in our joint project with WWF we're exploring ways to help our customers and our co-workers leave their vehicles at home and instead use public transportation. This will also help us to define more realistic goals for the coming years.

KPI – CLIMATE / TRANSPORT OF PEOPLE

	2006	2007	2008	2009	Goal FY09
Customers travelling to IKEA stores by public transportation	8%	9%	9%	9.7%	15%

METRICS

KEY PERFORMANCE INDICATORS

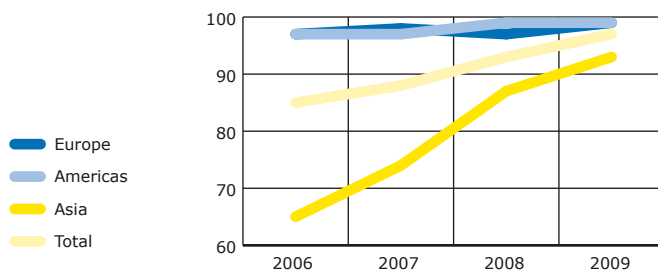
MEASURING PROGRESS

This chapter provides an overview of all KPIs found throughout the report. Most of the targets were set for FY09, and the development of new targets will be completed in FY10.

KPI – SUPPLIERS / HOME FURNISHING SUPPLIERS

	2006	2007	2008	2009	Direction
IWAY approved home furnishing suppliers					
Europe	74%	78%	80%	79%	100%
Americas	62%	67%	91%	83%	100%
China		4%	7%	7%	100%
South Asia		32%	34%	41%	100%
South East Asia		52%	63%	65%	100%
Asia, total	13%	17%	21%	22%	100%
Total	47%	50%	54%	52%	100%

KPI – SUPPLIERS / IWAY FULFILMENT RATES



KPI – SUPPLIERS / FOOD SUPPLIERS

	2006	2007	2008	2009	Goal FY10
IWAY approved food suppliers					
Europe			13%	41%	100%

KPI – SUPPLIERS/CATALOGUE SUPPLIERS

	2006	2007	2008	2009
IWAY approved suppliers			71%	73%
Industry specific requirements – fulfilment rates			53%	50%

KPI – SUPPLIERS / TRANSPORT SERVICE PROVIDERS

	2006	2007	2008	2009	Goal FY10
IWAY approved transport service providers					
		5%	42%	67%	60%

IWAY approved IKEA distribution centres

	2006	2007	2008	2009	Goal
	71%		80%	78.3%	100%

Fulfilment of industry specific requirements

	2006	2007	2008	2009	Goal
Ocean	100%	69%	87%	99.86%	100%
Land (new category)		99%	99%	100%	
Road	93%	see land	see land		100%
Rail	86%	see land	see land		100%

KPI – CUSTOMERS / FOOD SAFETY

	2006	2007	2008	2009	Goal FY09
Organic products in the Swedish Food Market range					
	4%	6%	8%	11%	15%

METRICS

KEY PERFORMANCE INDICATORS

KPI – ENVIRONMENT / PRODUCTS

	2006	2007	2008	2009	Goal FY09
Renewable materials used in products					
	72%	71%	72%	71%	75%
Waste recycled, reclaimed or used in energy production					
Stores	80%	84%	85%	86%	90%
Distribution Centres	86%	76%	90%	90%	90%
Swedwood			72%	74%	90%
Recovered or reused products					
Stores total	64%	64%	61%	61%	75%

KPI – ENVIRONMENT / FORESTRY

	2006	2007	2008	2009	Goal FY09
Share of solid wood, veneer, plywood, layer glued wood used in IKEA products that meet IKEA minimum requirements					
	91%	94%	96%	97%	100%
Share of wood used in IKEA products coming from forests certified as responsibly managed					
	7%	6%	7%	16%	30%

KPI – ENVIRONMENT / COTTON

	2009	Direction
Share of more sustainable cotton used in IKEA products	5.4%	100%

KPI – CLIMATE / IKEA BUILDINGS

	2006	2007	2008	2009	Direction
Renewable energy					
* Stores	25%	28%	36%	38%	100%
* Distribution Centres	26%	30%	35%	41%	100%
Swedwood	60%	59%	62%	63%	100%
Total	39%	42%	47%	49%	100%
Improved energy efficiency compared to 2005/m³ goods sold					
* Stores	-6%	7%	9%	7%	25%
* Distribution Centres	14%	29%	24%	20%	25%
* Swedwood	8%	15%	28%	23%	25%
Total	1%	9%	11%	9%	25%

KPI – CLIMATE / TRANSPORT OF PEOPLE

	2006	2007	2008	2009	Goal FY09
Customers travelling to IKEA stores by public transportation					
	8%	9%	9%	9.7%	15%

Communication on progress

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

The cross references in the table below indicates where progress related to the respective principle can be found in the IKEA Sustainability Report 2009.

CROSS REFERENCE TABLE (GLOBAL COMPACT)

Global Compact	Page
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	9–29, 43–45
Principle 2: make sure that they are not complicit in human rights abuses.	9–29, 43–45
Labour Standards	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	13–22
Principle 4: the elimination of all forms of forced and compulsory labour;	13–22
Principle 5: the effective abolition of child labour; and	13–22, 43–45
Principle 6: the elimination of discrimination in respect of employment and occupation.	9–29, 33
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	49–71
Principle 8: undertake initiatives to promote greater environmental responsibility; and	49–71
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	49–71
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	14