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# Can you do good business while being a good business?

The role of business is changing. To provide jobs, create profits and pay taxes is no longer enough. Our customers and co-workers expect more from us. They expect us also to take an active role in influencing both social and environmental issues where ever we are present. An often asked question is – is it possible to make traditional business objectives and social and environmental responsibility work together for the benefit of all stakeholders? Or is there a conflict between the two?

We believe they can work very well together. Done in a sensible way, social and environmental work is good for business. It is good for business because our customers will feel reassured that they are doing business with a company, that shares their views and values. And it is good for business because it can also support cost efficiency. Using resources and raw material efficiently, saving energy, improving working conditions at our suppliers and through that getting more motivated people, will have a positive effect on costs and therefore support our business objectives.

Being successful with social and environmental work is not an easy thing. It takes a dedicated organisation. It takes clear goals, strategies, time plans and responsibilities. And above all, it takes a vision, business idea and values that clearly support our actions. And this, I believe, is IKEA's strongest asset in this work. We have a vision to create a better everyday life for

the many people. We have a business idea based on low prices and cost efficiency. And we have values that support a humble, cost conscious and humanistic way of behaving. All this is a real strength in our work with social and environmental responsibility.

At IKEA we are committed to serious and good work, and I hope you will also feel that when reading this summary of our actions. But we realise that we are only in the beginning, and we have a long way to go before our work is a natural integrated part of our day to day business.

So, to come back to our initial question. Is it possible to make traditional business objectives and social and environmental responsibility work together for the benefit of all stakeholders? Yes, I believe it can, and I believe we must.

*Anders Dahlvig,  
October 31, 2001,  
President of the IKEA Group*



# Environmental and social responsibility

## TO BE RESOURCE EFFICIENT – ONE OF OUR CORNER STONES

One of the reasons why our prices are so competitive is that we constantly try to minimise costs. To keep costs low you have to be economical. This also guides us in our environmental work. It helps us to use raw material, energy and other resources more economically – and that, often also results in less waste and reduced emissions.

The development, over the years, of the ÖGLA chair provides one example of what being economical can mean for the environment.

When the chair ÖGLA was introduced into our range at the beginning of the 60's, it was produced in warm moulded beech and was distributed and sold fully assembled.

In 1983 it was time to modernise ÖGLA. To save space during transport and in the warehouse we wanted to make ÖGLA possible to assemble for the customer. Thanks to exchanging the material from wood to recyclable plastic we succeeded with this. At the same time ÖGLA became stronger and could also be used outdoors.

## HOW WE TRAIN OUR CO-WORKERS

In order to succeed in the environmental work, all co-workers at IKEA must play their part. We must be environmentally aware, we must have a basic knowledge about environmental work and we must be able to connect this to our everyday life at IKEA.



In 1994 we started to produce ÖGLA from recycled material, among other things we used waste material from the production of yoghurt cups.

In 1999 the technical development had made it possible to produce parts of the chair in plastic tubes instead of massive plastic. With this new technology we saved almost 30% of the material in the leg and the back!

All this has saved resources both when it comes to material, storage space and transport. And ÖGLA has never been as cheap as it is today!

### ENVIRONMENTAL TRAINING

A basic environmental training program was initiated in 1993 for all co-workers within the IKEA Group. First we trained management groups at different IKEA



units and then the program was spread through the organisation by 400 trained trainers.

In 1999 a developed version of this basic environmental training was introduced containing the following parts:

- General environmental knowledge.
- IKEA environmental policy.
- What we have done so far.
- What we shall do now.

In June 1999 around 25,000 co-workers had taken part in some form of environmental

training. Today environmental training is carried out at almost all IKEA units, both to train newly employed co-workers and to give key persons in-depth environmental training.

Besides the basic environmental training there are a number of training programs with special aims. These cover areas such as waste sorting or environmental questions connected to transports. Other examples are programs aimed at special tasks e.g. product development or production.

## THIS IS WHAT WE DO NOW

### ENVIRONMENTAL POLICY AND ENVIRONMENTAL ACTION PLAN

The Environmental Policy and overall Environmental Action Plan is the basis for the environmental work. The main statement in the Environmental Policy of the IKEA Group says: "At IKEA, we shall always strive to minimise damaging effects to the environment, which may result as a consequence of our activities." In the Environmental action plan we stipulate which areas shall have priority and set overall targets.

### ORGANISATION

For the overall development, co-ordination and follow-up of the environmental work the IKEA Group has a central environmental department. Within each IKEA unit the manager is responsible for the environmental work and the creation and realisation of local environmental action plans. As support, the manager has an environmental department or a trained environmental co-ordinator.

The environmental questions are

part of the daily work for many co-workers e.g. product developers, purchasers, technicians and salespersons. Adding to that we had, at the beginning of 2001, 49 co-workers working full time with environmental issues and 248 working part time throughout the IKEA organisation.

#### OUR FIVE PRIORITISED AREAS

- Environmental adaptation of products and materials.
- Forestry.

## SOCIAL PROJECTS

IKEA's social projects are primarily focused on children's rights. First and foremost on the prevention of child labour and initiatives to support children and their opportunities for learning and development. To ensure that the means for support are spent in the best possible way, we have established relationships with a small number of recognised international and national organisations.

#### THE IKEA GROUP SUPPORTS THE FOLLOWING SOCIAL PROJECTS:

##### In India:

- In collaboration with UNICEF, IKEA in August 2000 initiated a three-year community development project in the northern state of Uttar Pradesh, India. The objective is to prevent child labour. The project covers more than 200 villages with a population of approximately 400,000 people. Alternative Learning Centres for children are set up to help them join the formal school system. In addition, UNICEF is working via local NGOs and in co-operation with local authorities to support women in their efforts to establish self-help groups. These measures help women to gain access to micro credit schemes and find alternative income generating opportunities.

- Suppliers – environmental work, social and working conditions.
- Distribution – transport and warehousing.
- Environmental work at our stores

In our new environmental strategy for financial years 02-05 we have included another priority – Good Housekeeping – with the aim to secure the basic environmental work at all IKEA units.

- IKEA is supporting CREDA, a local non-governmental organisation in India. The two-year project started in September 2000 and is focusing on providing educational opportunities for young girls and adult women.

##### In Kosovo:

- Since January 2000, IKEA is supporting International Save the Children Alliance to re-establish schooling for the children in the Western part of Kosovo after the war in 1999. The main aim is to re-build schools, reconstruct and repair classrooms and provide support to schools with pre-school classes and teacher training.
- IKEA is supporting UNICEF for the repair of eight pilot schools in Kosovo benefiting some 8,000 pupils. The project that started in January 2000, also includes new equipment, teaching materials and the improvement of water supplies and sanitary conditions. An important part of the project is a special teacher training, building on interactive teaching with the focus being on children and their enthusiasm. The teachers will then train other colleagues to introduce the methods in 35 additional schools around the province.

## How our environmental work has developed

- **1989:** We carry out an internal investigation of our environmental impact.
- **1990:** The first environmental Manager of the IKEA Group is employed.
  - The Group Management participates in an environmental seminar.
- **1991:** The first environmental policy for the IKEA Group is adopted.
- **1992:** The first environmental action plan for the IKEA Group is launched. It covers the period 1993-1996.
  - We create a central unit to develop and co-ordinate environmental issues.
  - In co-operation with Greenpeace we manage to get the IKEA catalogue printed on TCF paper (Total Chlorine Free). This signifies that no chlorine is used for the bleaching of the paper pulp. Besides that, we also demand that the catalogue paper supplied must not originate from intact natural forests.
- **1993:** We initiate environmental training for our co-workers.
- **1996:** We launch an environmental action plan for the IKEA Group for the period 1997-1999.
- **1997:** We create an internal network of environmental co-ordinators to co-ordinate environmental work at all units within the IKEA Group.
- **1998:** Environmental action plan for the IKEA Group is launched for the period 2000-2003.
  - We introduce an internal environmental homepage.
- **1999:** "How do you look upon our environmental work?" an extensive investigation among our co-workers shows among other things that:
  - 96% know of our environmental policy
  - 85% have confidence in our environmental work
  - 73% feel that they can contribute to the environmental work
- **2000:** We introduce our code of conduct – "The IKEA Way on Purchasing Home Furnishing Products" – for suppliers producing IKEA products. The code covers social and working conditions, outside environment, forestry and child labour. We also form an internal compliance group to audit and calibrate this code of conduct.
- **2001:** We launch a new environmental strategy for the period 2002-2005, including, among other things, clear goals on transportation of goods, customers and co-workers.





# Environmental adaptation of products and materials

Our products are to be designed, manufactured, used and, when they have served their purpose, to be taken care of with minimum impact on the environment. Our aim is to use natural and renewable materials and that the product can be recycled after its use.

For all products we take the strictest environmental and safety demands present on any of our markets and make this the IKEA standard for all markets. Even if the product is to be sold on a market with less strict demands.

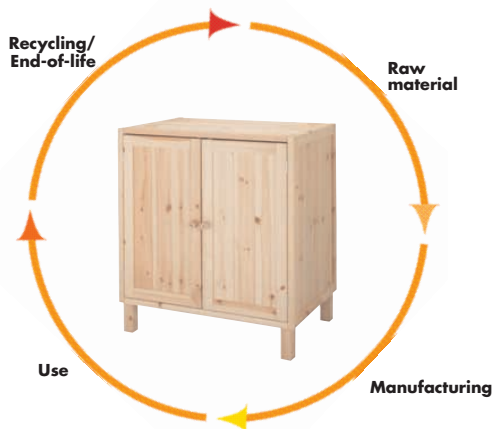
The IKEA range covers all areas of the home and contains approximately 10,000 products. As a rule we develop the products ourselves, often in close co-operation with our suppliers. This gives us the opportunity to take all aspects on a product's life into consideration, from choice of raw material, through production and distribution to end



Wood is a good material choice as it is renewable, recyclable and bio-degradable.

of use. Being economical when selecting materials and other resources must be second nature for a product developer at IKEA. Material loss at production should be avoided. If this is not possible, the first option is to turn the material loss into a new product.

## THIS IS WHAT WE DO NOW



### ENVIRONMENTALLY ADAPTED PRODUCT DEVELOPMENT

When we develop new products and packaging we work according to a method called "the E-wheel".

The E-wheel includes four phases in the lifecycle of a product. Some results, from environmentally adapted product development, are the low-energy bulb, the wood stain LASYR, the product series for children TROGEN and TROFAST and the inflatable furniture range a.i.r.

#### • The low-energy bulb

The low energy bulbs, in the IKEA range, lasts around 10 times longer than an ordinary light bulb and consumes considerably less energy. In order to produce the same amount of light as a 60-Watt bulb the low energy bulb needs only 11 Watts. However, it is very important that the low-energy bulb is not thrown into the garbage. Instead it must be returned for recycling, since it contains a small amount of mercury, maximum 3 mg. You can return your low energy bulbs at your IKEA store.

#### • The wood stain NATUR

With the NATUR series customers can themselves protect the surface of untreated, solid wood products. The stain is produced of pigments, linseed oil and water and should then be covered with a beeswax balm.

#### • The Children's furniture TROGEN and TROFAST

The TROGEN and TROFAST ranges were developed with special consideration to health and the environment. They are produced in solid wood to last long and the surface is treated with water based wax. Several of the products can easily be changed and combined into new functions as the child grows, which prolongs the life of the product.

#### • a.i.r

A.i.r stands for "air is a resource" and is a range of inflatable sofas and easy chairs. "The sofa in a flat package" not only weighs approximately 1/6 of a conventional sofa, but contains fewer materials all easy to separate for recycling when the product comes to the end of its use. Added to that the a.i.r sofa uses only 15% of the raw material compared to a conventional sofa.

### CHEMICALS

Chemicals are ever present in our society and our daily lives e.g. when cleaning, doing the dishes, laundry, painting or putting make up on. Chemicals are also found in our food, medicine and many other things.

We have to see to it that the chemicals we use in our products to obtain certain

functions neither cause allergy or other health problems nor damage the environment. Some examples where we have restrictions are the ban on using CFC in production of our products, the phase out of PVC in our products, the ban on using Azo-dye stuff when dyeing textiles and the ban on brominated flame retardants.

#### • CFC

The ozone layer in the atmosphere protects plants, animals and humans from damaging ultraviolet sunrays. The thinner the layer of ozone the more hazardous for the life on earth. ChloroFluoroCarbons (CFC), often called Freons, thins the ozon layer. CFCs were earlier used above all in refrigerators, freezers and spraying cans, but also in the production of polyether for mattresses, cushions, chair pads, sofas, etc.

Alarming reports from different researchers induced us to make the decision in 1992 not to use polyether produced with the aid of

CFC. This could be carried out, partly by demanding that our suppliers changed production methods, partly by choosing other polyether qualities not requiring CFC in the production.

#### • PVC

From a technical point of view PVC plastic (PolyVinylChloride) is an excellent material that we often meet in our everyday lives. We use it in window-frames, home electronics, cars, sewage pipes etc. At the beginning of the 1990s questions started to come about the impact PVC had on the environment and our health. It was not easy to draw an

unambiguous conclusion of the debates and reports from the researchers and environmental organisations. But we decided to follow the principle of precaution and started in 1992 a laborious work to phase out PVC in our products and packages. In our products today there is PVC only in the isolating plastic of electrical cables, but we are trying to find an alternative material for these as well.

#### • Azo-dyes

So called azo-dyes are commonly used to colour textiles. A smaller part of these colours can be carcinogenic to people who work with dyeing of textiles for a long time. Users of textile, dyed with azo-dyes, might also develop skin problems. We introduced a ban on azo-dyes in IKEA textiles in 1994.

#### • Means of flame protection

Means of flame protection is the comprehensive term for chemicals that are used in order to decrease the risk of fire in different types of products, e.g. computers, textiles for furniture and curtains. Many means of flame protection contain brominated organic compounds. These compounds decompose very slowly and can be harmful to living organisms, e.g. give hormone disruptions. We have voluntarily chosen to stop using brominated means of flame protection in our products.

By choosing textiles and materials that by nature are difficult to set on fire, we can often completely avoid the need for flame protection in our products. But when we have to treat the products (in order to live up to legal demands in Great Britain for example) we use flame protection based on organic phosphorus and nitrogen.

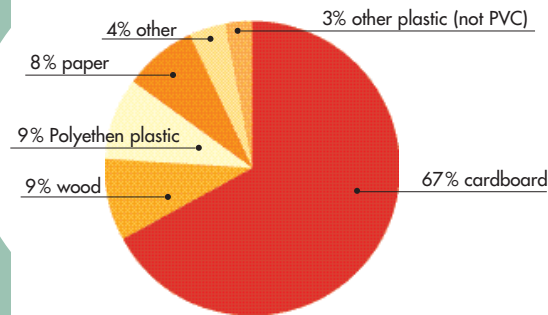
### PACKAGING

Environmentally adapted product development is also applicable to packaging. The material we use as packaging material shall be recyclable and have as high content of recycled material as possible. By using strong and often water-repellent packaging, products are protected against damages during handling in the warehouse and during transport. At the same time the packaging shall be as lean in material use and energy consumption as possible.

In order to meet the environmental demands on our packaging, we concentrate on 3 areas:

- Efficient, economical use of material.
- Replacement of materials and substances that may have a negative influence on health and the environment.
- Use renewable and recyclable material.

Packaging materials used by IKEA



### PRODUCTS AND MATERIALS

## A little about what we have accomplished:

- **1986:** The German E1 norm for formaldehyde in wood-based material becomes IKEA standard. The German E1 norm is the most rigorous requirement regarding formaldehyde in the world.
- **1987:** We inaugurate an advanced laboratory in Älmhult, Sweden. The laboratory tests, among other things, formaldehyde levels in IKEA products.
- **1989:** We cease to use brominated substances as flame protection in our textiles. This is carried through in all markets except for Great Britain due to their special fire requirements.
- **1991:** We introduce the Finnish norms for formaldehyde in textiles, the most rigorous in the world.
- **1992:** We set new guiding principles for our packaging. As much material as possible shall consist of recycled material, all packages shall be possible to recycle and no PVC plastic shall be used as packaging material.
  - PVC was, at that time, much debated and is still for health and environmental reasons. By way of precaution we started to phase out the PVC in our products the same year.
- **1994:** We carry out our first life-cycle analysis (LCA).
- **1996:** We develop our first Environmental Staircase Model for textile, a tool that describes our environmental requirements in different steps. You can read more about the staircase model under the headline Forestry.
- **1998:** A water-based wax treatment is introduced as surface treatment on several of our children furniture.
- **2001:** We cease the use of brominated substances for flame protection in our products on all markets.



# Forestry

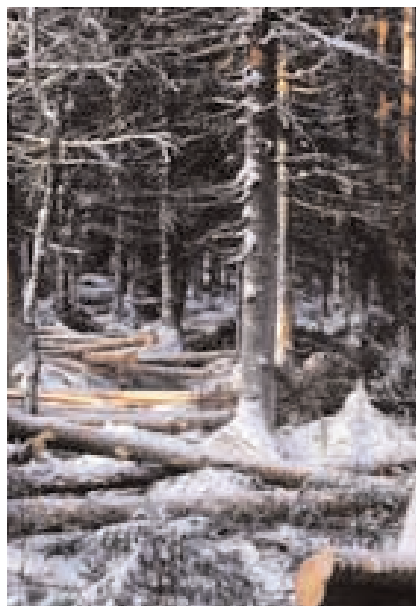
Wood is a part of the IKEA identity and is an excellent material from both a quality and environmental point of view. It is renewable, recyclable and biodegradable. However, for wood to be the responsible material choice, it must originate from well managed forests.

The world's forests are important because of the essential functions they provide to regional and global environments, including balancing water cycles, storing and

sequestering carbon and housing a vast proportion of the world's bio-diversity. Over the past 8,000 years, nearly one half of the forests that once covered the Earth have been converted to farms, pastures, infrastructure and other uses. In addition, most of the forests that are left have been altered by humans, often rendered into a patchwork of smaller forested areas. Of the Earth's original forests only one fifth remains in large, relatively natural ecosystems which are known as intact natural forests.

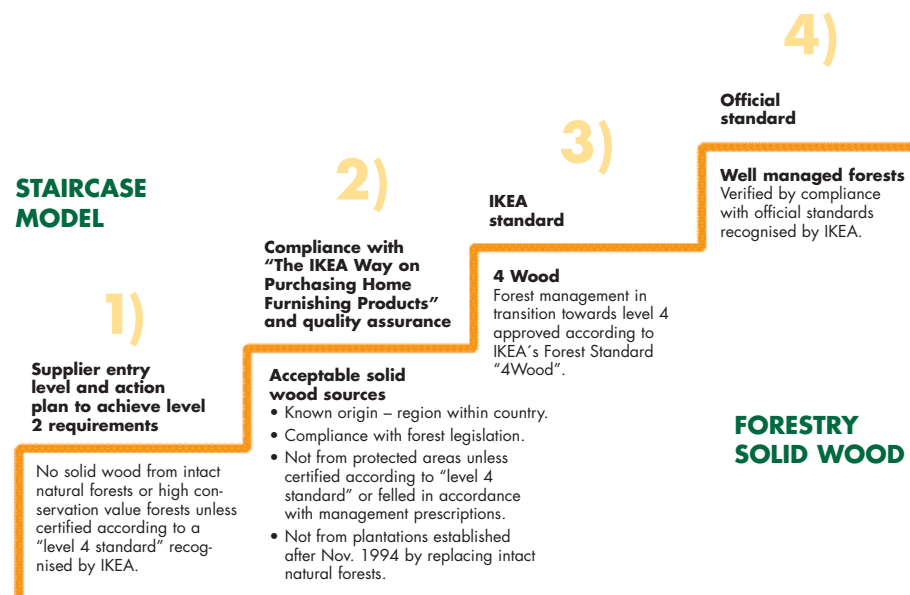
## THIS IS WHAT WE DO NOW

The long-term goal for IKEA is to source all wood in the IKEA range from verified well managed forests, i.e. forests that have been certified according to a forest management standard recognised by IKEA. To reach this long-term goal, IKEA has decided to work with a staircase model with four levels to find a pedagogic and effective way of stepwise putting higher demands on the solid wood used in the IKEA range. Requirements on other wood based materials than solid wood are under development.



Wood and wooden fibre is the principle material in the IKEA range.

### STAIRCASE MODEL



**1)** At Level 1, the entry level, we demand that the solid wood must not originate from intact natural forests or high conservation value forests unless independently verified as coming from well

managed sources, i.e. forests certified according to a "Level 4 standard". Currently, Forest Stewardship Council, FSC, is the only certification system on level 4 that is recognised by IKEA.

**2)** Level 2 in the staircase model states the minimum demands on solid wood, which must be fulfilled by the supplier within 3 months. The requirements are:

- The origin of the solid wood must be known. The supplier must be able to state from which region within a country the wood originates.
- The solid wood must be produced in compliance with national and regional forest legislation and other applicable laws.
- The solid wood must not originate from

protected areas unless independently verified as coming from well managed forests, i.e. forests certified according to a "Level 4 standard" or felled in accordance with management prescriptions for the protected area.

- The solid wood must not originate from plantations established after November 1994 by replacing intact natural forests.
- High value tropical tree species (e.g. teak, meranti, rosewood, and mahogany) must be certified according to a "Level 4 standard".



To audit the requirements on solid wood we work intensively with tracing the origin of the solid wood products in the IKEA range. This is one of the reasons why we have

**3)** Level 3, called 4Wood, is an IKEA standard, developed, governed and revised by IKEA. The purpose of 4Wood is to promote a transition of forest management from the minimum demands on level 2, towards verified well managed forests according to a level 4 standard. The forest management is audited against the 4Wood

hired forest experts stationed in our purchasing regions in North America, Europe and Asia.

standard including indicators that describe the specific conditions in the different regions where the wood is produced. Existing certification systems and corresponding standards will be compared with 4Wood. Standards that are viewed as equal to 4Wood will be referred to as “4Wood equivalent”.

**4)** Level 4 represents forests that are managed in accordance with an official standard for well managed forests. The standard must include established performance levels co-operatively developed by a balanced group of environmental, economic and social stakeholders and

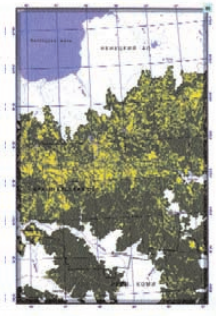
verified by an independent third party. Currently, FSC is the only Level 4 standard recognised by IKEA.

IKEA will continuously monitor and evaluate the progress for the suppliers in the staircase model.

#### MAPPING OF INTACT NATURAL FORESTS

IKEA wants to contribute to the knowledge of the remaining intact natural forests of the world and therefore we co-operate with Global Forest Watch (GFW). World Resources Institute formed, in 1997, GFW with the objective to map out the remaining intact natural forests of the world and to follow the development of these forests. For the time being the work covers forests in ten countries. By 2005 the operation will cover 21 countries and thereby 80% of the remaining intact natural forests.

The mapping of intact natural forests is done with the help from satellite images,



IKEA is cooperating with Global Forest Watch for mapping of Intact Natural Forests.

advanced digital technology and field studies made by forest experts. IKEA has donated US\$ 2.5 million to support the work of GFW. The result from this work will be accessible for everyone and will be published at the GFW homepage as the work progresses. [www.globalforestwatch.org](http://www.globalforestwatch.org)

#### FOREST PROJECTS

To contribute to a more sustainable forestry IKEA is starting a number of projects in key countries. The projects cover issues like practical certification, initiation of certification processes, mapping of high conservation value forests and spreading of information and knowledge, in order to pave the way for a more sustainable forestry.

## FORESTRY

# A little about what we have accomplished:

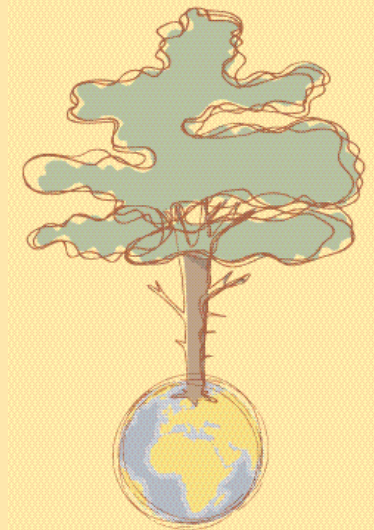
- **1993:** IKEA participates in the creating of Forest Stewardship Council (FSC), an independent, non-profit and non-governmental organisation supporting environmentally appropriate, socially beneficial and economically viable management of the world's forests.
- **1998:** To play a part in safeguarding the future of the world's forests, IKEA sets up the Sow a Seed Foundation. The foundation has access to 14,000 hectares of heavily degraded rainforest in the Malaysian state of Sabah, Borneo. The aim is to rehabilitate the rainforest through enrichment planting of a wide diversity of naturally occurring tree species. Research on how to best restore a rainforest is carried out together with the Swedish University of Agriculture and Science. IKEA customers and co-workers in Sweden are given the possibility to donate money to the Sow a Seed project. [www.sowaseed.com](http://www.sowaseed.com)

- IKEA employs a forest expert with the task to pursue questions on sustainable forestry.

- **1999:** We develop a new method for tracing the raw material of our solid wood products.

- In order not to contribute to further losses of intact natural forests or forests with high conservation values, we demand that the solid wood in our products must not come from such forests, unless it is certified according to FSC or equivalent.

- IKEA donates US\$ 2.5 million to support the work of Global Forest Watch.
- **2000:** We demand that products made from high value tropical tree species must be certified according to FSC or equivalent. Example: Our range 2001 contained outdoor furniture and bathroom articles in teak, which came from FSC certified plantations in Java, Indonesia.
- Another 8 forest experts are recruited and located in local trading service offices around the world.
- **2001:** IKEA funds a scholarship for students from Russia, Poland, Latvia, Estonia and Lithuania to study forestry at the Swedish University of Agricultural Science.





# Suppliers

– environmental work, social and working conditions

**I**KEA buys its products from approximately 2000 suppliers in 55 countries. Approximately 8% of the products are produced by Swedwood, an international industrial group belonging to the IKEA Group of Companies.

Many of our suppliers are to be found in countries where environmental work has come a long way. But we also work with suppliers in countries where the environmental agenda is just developing. But even there you can find examples of advanced environmental behaviour. We have e.g. Chinese and Slovakian suppliers that are environmentally certified according to the environmental management system ISO 14001.

Our trading operation is carried out through 40 locally situated trading service offices. To have a local representation makes it possible for our purchasers, technicians,

quality and environmental co-ordinators and other co-workers to work with continuous supplier development. This sets good preconditions to work together with the supplier on areas such as outside environment and working conditions. In many cases we can have the greatest impact by focusing on improvements where the development has not come that far. We consider continuous development more important than the actual starting level.

With this approach we now concentrate on raising the lowest bar and secure that minimum demands are fulfilled. We have agreed upon a code of conduct, “The IKEA Way on Purchasing Home Furnishing Products” where we describe the minimum demands on our suppliers within the areas of social and working conditions, outside environment, forestry and child labour.

environment and forestry. The structure within the model is the same within the different areas and can briefly be described as follows:

## THIS IS WHAT WE DO NOW

### STAIRCASE MODEL

To work in a structured way, together with our suppliers, we have developed a staircase model. The model covers the areas working and social conditions, outside

**1)** The entry level has to be fulfilled to start deliveries to IKEA.

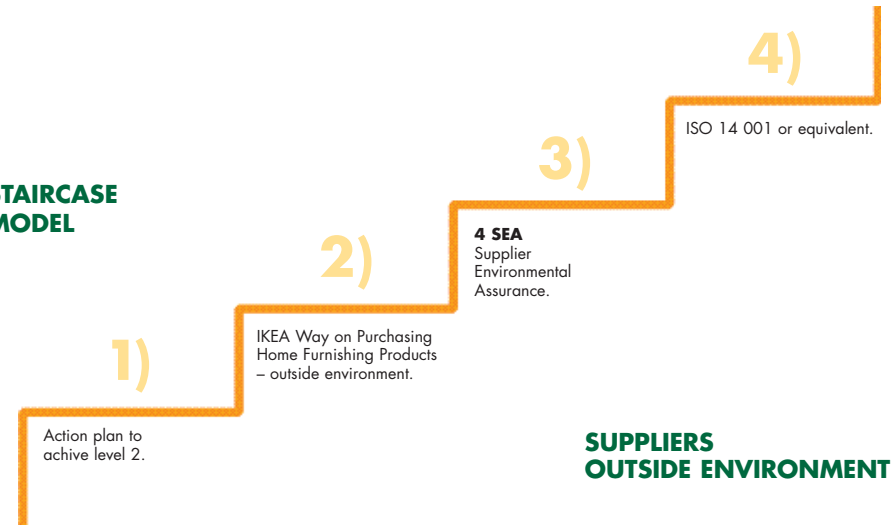
An action plan to achieve level 2 is decided upon.

**2)** IKEA minimum demands are fulfilled. These demands are expressed in “The IKEA Way on Purchasing Home Furnishing Products”.

**3)** An IKEA standard is fulfilled, e.g. 4SEA, 4wood.

**4)** Certification according to an official standard recognised by IKEA, e.g. ISO 14 001 and FSC.

### STAIRCASE MODEL



### SUPPLIERS OUTSIDE ENVIRONMENT

We measure the development on each step in the staircase model. Until September 2002 our focus is to secure that suppliers fulfil minimum demands. After that we will work towards increasing the number of suppliers on level 3 and 4 in the staircase.

### All suppliers shall comply with the minimum demands

During winter 2000/2001 we have trained approximately 500 people within our trading organisation about “The IKEA Way on Purchasing Home Furnishing Products” and we have developed tools to support this work.

By September 1st 2002 all present suppliers have been audited against the minimum demands. For many of our suppliers it is not difficult to live up to our minimum demands, but for some it is a big challenge.

To secure a comparable judgement of suppliers world wide we have established a separate internal organisation with the task to review and calibrate the work. This group reports directly to Group Management of the IKEA Group.

### The demands in “The IKEA Way on Purchasing Home Furnishing Products” covers the following areas:

- Safe working conditions, with aspects such as machine and body protection, sufficient lighting, adequate indoor temperature and fire-drills.
- Securing basic social conditions such as at least minimum wage and no illegal overtime.
- Preserve the outside environment through e.g. minimising emissions, safe handling of hazardous waste and securing the origin of solid wood products, so as not originating from intact natural forests.
- Child labour. Make sure that no child labour is involved in the manufacturing of IKEA products.

### Child labour

Child labour is an unacceptable part of today’s reality. This situation exists in some of the countries where we make our purchases. It is a complex problem

▶ that can be solved only by addressing the root causes of child labour. In our code of conduct we firmly state that IKEA does not accept child labour. We work actively against it. Our ambition is to make sure that no child labour is involved in the manufacturing of IKEA products. This includes all our suppliers worldwide, as well as their sub-contractors.

#### 4SEA – a simplified environmental management system

It is important that smaller companies (there are so many of those!) can find guidance to help them start up meaningful environmental work. Therefore we developed a simplified environmental management system in 1996 called 4SEA. 4SEA is the third step in the staircase model and the abbreviation stands for “4 point Supplier Environmental Assurance”. A supplier that operates on the 4SEA level has control over the environmental impacts of the production and is dedicated to continuous improvement.

##### The 4 points in 4SEA in short:

- The supplier shall develop an environmental policy, describe the environmental organisation and its responsibilities.
- The supplier shall, in a well organised way, create relevant systems, routines and documentation in order to comply with laws and legislation affecting the operations, show compliance with permits from authorities, etc.
- The supplier shall understand their impact on the environment and then set objectives and targets to achieve reductions.
- The suppliers shall document routines and instructions on how to prevent and handle possible near-accidents and accidents.



About 7000 of Swedwood's co-workers have undergone environmental basic training.

#### TO “WALK THE TALK” – SWEDWOOD

Swedwood is an international industrial group belonging to the IKEA Group of Companies. It consists of 34 production units in Sweden, Canada, Germany, Latvia, Poland, Slovakia, Hungary, Ukraine, Bulgaria, Romania and Russia.

Swedwood operates sawmills and produces board materials and furniture. The factories shall, on their respective market, be the good example regarding social and working conditions, efficiency and environmental work. Like any other supplier Swedwood factories are audited according to minimum demands within social and working conditions, outside environment, forestry and child labour.

##### Environmental Focus

Swedwood puts specific focus on environmental work within three areas:

- Environmental training of all co-workers.
- Environmental adaptation of material and production processes.
- Environmental assurance of solid wood raw material.

Out of the 9 500 co-workers, working in the Swedwood Group, 73% had undergone environmental basic training by the 1st of September 2001.

When it comes to environmental adaptation of material and production processes, the work is concentrated on the areas surface treatment and waste.

Within surface treatment at Swedwood factories, the development is towards UV and water-based lacquers. Those lacquers are more lenient to the environment and to the co-workers working in the surface treatment department. The two factories that today use the majority of the solvent based lacquers have invested in efficient purification plants. One factory uses a process with biological treatment, which reduces the discharge of VOCs (Volatile Organic Compounds) by 96,5%. The other factory uses a combustion plant that reduces the VOC discharge by 97%.

When it comes to waste, Swedwood is working to reduce the amount of waste by implementing waste sorting and increasing recycling. Wood waste is used for heating and at a number of the factories in Eastern Europe heating plants have been modernised to use shavings, chips and bark for heating instead of using fossil fuel like coal and oil. If there still is wood waste left, it is compressed into briquettes and sold for heating.

#### Certified environmental work

Swedwood is in the process of certifying production units. By August 31st, 2001, eleven factories had been certified according to ISO 14 001, representing 49% of the groups turnover.

## SUPPLIERS

### A little about what we have accomplished:

- **1993:** We start basic environmental training for co-workers at our local trading service offices around the world.
- **1996:** 4SEA, a simplified environmental management system, developed by IKEA, is tested at some of our suppliers in Western Europe.
- **1997:** Our trading organisation for Northern Europe offers their suppliers to participate in “the Environmental base”, a basic environmental training programme for suppliers.
- **1998:** The Swedwood factory in Gardelegen, Germany, becomes the first IKEA owned production unit to be certified according to ISO 14 001.
- **1999:** A staircase model in four steps, for environmental work, working conditions and forestry, is introduced to our suppliers.
- **2000:** We introduce a code of conduct “The IKEA Way on Purchasing Home Furnishing Products”. The code sets minimum demands on IKEA and on our suppliers within the areas of social and working conditions, outside environment, forestry and child labour.

# Distribution – transport and warehousing

The transportation of goods and people can be described as the circulatory system of modern society. It brings many positive things, economical as well as social. But transportation means, generally, consumption of limited resources such as fossil fuels, e.g. diesel and petrol, and affects the environment through emissions of greenhouse gases and air pollution, noise and infringes on natural habitat. Therefore it is a challenge to transport and at the same time affect the environment as little as possible. Many factors, e.g. access to infrastructure, quality of means of transport and of fuel, influence the impact on the environment.

More than 10,000 different IKEA articles are transported to 143 stores, produced by approximately 2,000 suppliers and often transported via one of our 22 warehouses. We buy the transport services we need from more than 150 suppliers. Some of our warehouses are run by external service providers, others are managed and owned by IKEA. During the year 2000, we transported 21 million cubic metres of goods.

## THIS IS WHAT WE DO NOW

All forwarders account for their environmental performance in an “Environmental Performance Sheet” (EPS). Based on this they are classified. They are then audited and checked for minimum demands such as environmental policy, action plan and vehicle emissions data.

We are working to minimise emissions from transports. One type of emission we are working on is CO<sub>2</sub> (carbon dioxide). The



Combined transport combines flexible road transport with the, many times, lower environmental impact of the railway.

The split between different modes of transport varies from country and continents, but on a total IKEA transport 60% on road, 20% by boat and 20% by rail/combined transport.

Our flat packaging is a good way to start to keep our transport volumes as low as possible. We strive to use transport modes such as boat and train as much as possible. All our warehouses are connected by, or have direct access to, a rail network and some of them are accessible by barge. We put environmental demands on our forwarders and external providers.

focus is to increase efficiency by increasing filling rates and decreasing fuel consumption, but also by using transport modes that release less CO<sub>2</sub>, i.e. by shifting transport volumes from road to rail and sea.

To increase our portion of goods transported by rail we have formed IKEA Rail AB, a company with the task to find and facilitate rail capacity for our transport volumes. We have also increased

## TRANSPORT AND WAREHOUSING

### A little about what we have accomplished:

- **1956:** IKEA starts with flat packages.
- **1992:** We inaugurate a combined transport terminal in Älmhult, Sweden, that makes it possible to move transport volumes from road to railway on longer distances.
- **1994:** We start combined transport service between Sweden and Germany. One fully loaded train in each direction runs five days a week. In comparison with the previous year it meant that 2500 road transports were moved to railway.
- **1995:** We investigate the environmental impact from our transports. The study covers national to intercontinental transports. We also develop a training programme “IKEA, transports and the environment” for IKEA co-workers within transport purchasing, planning and logistics.
- **1996:** We carry through a number of environmental seminars with our European forwarders. We demand that they shall present an environmental policy. Several of them already have one, others must start to develop one.
  - We implement increased waste sorting at our warehouses. Our warehouses in e.g. Itingen (Switzerland) and Älmhult (Sweden) sort more than 90% of all waste and send it for material recycling and energy recovery.
- **1998:** We develop and implement a method to classify the environmental status of our forwarders.
- **1999:** We switch the goods transport from the central warehouse in Älmhult to the stores in Stockholm from road to rail transports in a new concept called “Green Cargo”. “Green Cargo”, amongst other things, runs on electricity from renewable energy sources. Today one train with 15-20 fully loaded wagons leaves Älmhult for Stockholm every day.
  - We engage in networks: NTM (the network for transports and the environment) in Sweden and OREE (Organisation pour Responsables Entreprises de l’Environment) in France. Both are working with the aim to decrease the environmental impact from transports.
- **2000:** We start the internal project “Environment and Transport” with the aim to present a strategy to minimise the negative environmental impact from IKEA transports. The project covers goods, customer and co-worker transports.
- **2001:** Distribution Centre Jarosty, in Poland, receives the “Commercial construction of the year 2000” based on the layout and functionality of the building, technical and IT solutions, social influence and environmental concern.
  - We set up IKEA Rail AB in order to increase volumes of goods transported by rail.

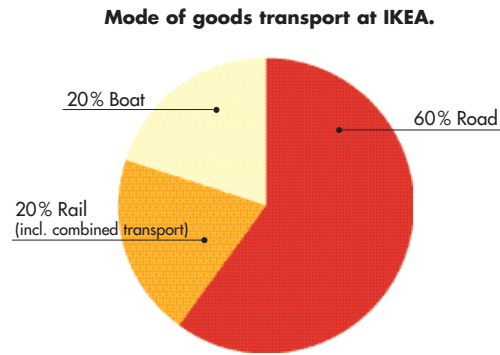


▶ the possibility to transport goods all the way by boat/barge to our warehouses in Genk (Belgium), Oosterhout (the Netherlands) and Salzgitter (Germany).

At our warehouses we work to improve waste sorting and recycling even further and to reduce energy consumption. We are implementing environmental demands when building new warehouses and rebuilding old ones.

Even though we have worked to improve filling rates since the mid fifties, there is still a lot left to be done to get more products into a box and to get more boxes into a container.

One good example of how we have increased the filling rate and decreased the environmental impact by simple and smart packaging solutions is the HOTT teapot. By using the shape of the product and turning



some of the teapots upside down we got 10 instead of 6 teapots into one box. The result was an increased filling rate, less amount of packaging material needed and a decrease in price.

## The environmental work at our stores

On August 31, 2001 the IKEA Group had a total of 143 stores in 22 countries, the majority of them in Europe. The environmental work in the stores is initiated from the Corporate Environmental Policy and the section "Environmental work in our Stores" in our environmental action plan. Currently we prioritise waste, energy, transportation and environmental information.

Engaging our co-workers is important to get a driving force within the environmental work. Environmental interest is generally high among the many co-workers in our stores. In several stores there are "environmental groups" working in different ways to increase environmental awareness.

### THIS IS WHAT WE DO NOW

#### ORGANISATION

Today there are environmental co-ordinators in almost all stores within the IKEA Group. Whilst fulfilling other tasks in the store, environmental work forms part of

their schedule from a couple of hours to several days per week. Among their tasks are the environmental training of co-workers, to facilitate waste sorting and initiate energy saving.

To stimulate and be able to follow up the environmental work, we have developed an Environmental Checklist for the stores. The Checklist covers areas such as environmental training of co-workers, follow up of action plans, waste management, etc.

#### WASTE

One important point in the environmental action plan is the minimum demand for waste handling which all stores shall comply with by financial year 2002.

This means that the stores shall sort the five most common waste materials (corrugated cardboard, wood, metal, polyethylene plastic and office paper). By doing this, around 75% of the total amount of waste is recycled to new materials or energy.

In an increasing number of stores we offer the customers the possibility to contribute by returning their packages for recycling.

#### ENERGY

The stores of the IKEA Group have chosen energy as one of the most important environmental issues. Key figures for the use of energy have been defined, which helps us to compare the stores.

One measure that contributes to reducing the consumption of electricity is the new lighting system that we are now installing gradually in the stores. It gives a better light in the store whilst at the same time using 30% less electricity in comparison to the earlier system. It emits less heat, which decreases the need to cool the air in the stores compared to before.



Engaged co-workers is a driving force within the environmental work.

In conjunction with reducing the energy consumption, we test alternative energy sources. One store in Holland heats and cools the air with the help of groundwater. We also have stores that use sun and geothermal energy.

#### TRANSPORTS

Most people today, both customers and co-workers, travel to IKEA by car. This of course has a negative impact on the environment, not least in the form of emissions of the greenhouse gas, carbon dioxide.

We feel that we have the responsibility to facilitate alternative transport other than the car to our store, to make it possible to reduce the environmental impact from customer and co-worker transports to IKEA. Already today there are public transports to the majority of our stores all over the world and many projects, that are now in the pipeline, aim at improving this service for our customers and co-workers.



# The Environmental work in an IKEA store

Lets go to the IKEA store in Malmö, Sweden. At the entrance Margareta Petersson greets us. She is the environmental co-ordinator at IKEA Malmö.

Among her tasks as a co-ordinator, Margareta is responsible for the training of her colleagues in environmental knowledge. Environmental training is first given as a part of the introduction training when co-workers have just started at the store. Later on, all co-workers go through a four hour basic environmental training.

Another task is to continuously inform the co-workers about what happens in the environmental field, both internally and externally, using the store's magazine and the billboard. A couple of times a year she goes to each department at the store to discuss their specific environmental questions.

Margareta is also responsible for updating and following up the store's environmental action plan, together with the store management.

The store has an environmental group, which is co-ordinated by Margareta. Many departments in the store are represented in the group and together they carry out different environmental activities. They have, for example, exchanged the disposable packages in the canteen to more environmentally adapted alternatives. They also encourage their colleagues to use other modes of transport than the car to go to and from work, e.g. bicycle and walking.



Margareta Petersson is the environmental co-ordinator in the Malmö store.

Margareta brings us to the store's waste sorting central, where the waste products are sorted into 15 different fractions. When the store was recently rebuilt, they renewed the equipment at the same time and trained co-workers in how to sort by source. Margareta tells us that they have managed to substantially increase the proportion of waste going to recycling.

Energy saving is another important issue at the store in Malmö. The new lighting system has been installed reducing the electricity consumption by 30%. Gradually ordinary bulbs are exchanged for low-energy bulbs. These are also sold to customers in the store. Margareta adds that it is important to return the used low-energy bulbs for recycling, since they contain a small amount of mercury. This customers can do at the store.

## STORES

### A little about what we have accomplished:

- **1993:** The IKEA store in Gothenburg, Sweden, starts to sort its waste by source in 15 different fractions. This was the first initiative to reduce our amounts of waste sent to landfill. It also meant an economic saving, as it costs money to transport and deposit waste products. The waste sorting was very successful and the Gothenburg model has later been introduced into many of our stores.
- **1994:** The store in Spreitenbach, Switzerland, offers the customers the option to return their used furniture. Up to 75% of the material can be separated and used for recycling or energy production. Today all our stores in Switzerland offer this return service.
- **1996:** IKEA Bielefeld, Germany opens. Special environmental consideration has been taken when building this store. Large green surfaces surround the building and customers as well as co-workers can travel comfortably to the store by public transport.
- **1997:** On the roof and facade of one of the office buildings in Älmhult, we install a 630 m<sup>2</sup> solar-cell panel, converting sun rays in to electricity. The aim is to get experience from solar-cell technology. We believe that stores in sunny countries can use this technology for their energy supply in the future.
- **1998:** IKEA Bologna in Italy opens. The store has been supplied with a 30 m<sup>2</sup> sun panel, which is used for heating water to the store.
  - The IKEA store in Saarlouis, Germany, opens. To gain more experience we try different measures to reduce the store's environmental impact both during the construction and then during the daily operations. The measures include areas like energy saving, choice of material, parking and public transport.
- **1999:** All IKEA stores in USA participate in an energy-saving programme called "Green Light". This results in the stores reducing their energy consumption and their yearly energy costs by around US\$ 500 000. The saved energy corresponds to around 1,2 million litres of petrol.
- **2000:** The internal review programme of the stores is now also reviewing the environmental work. Initially it measures our biggest stores, but gradually all stores will be reviewed on their environmental performance.



The internal review program is now also reviewing the environmental work in the stores.

# Glossary

**Many different types of materials and other resources are used when manufacturing IKEA products. Some of the main ones are described here, together with short explanations of their effect on the environment and the regulations that apply for using them.**

## • AZO-dyes

AZO-dyes for textiles and leather can, in certain cases, release acrylamines which can be harmful to the health. The use of dye-stuffs containing these substances is not permitted in IKEA products. Legal requirements involve only skin-contact articles, our ban is valid for all products in our range.

## • Cadmium

Cadmium is an indestructible and harmful heavy metal. We do not permit the use of materials where cadmium is an additive.

## • CFCs/HCFCs

CFCs and HCFCs are harmful to the ozone layer in the upper atmosphere. We banned the use of these substances in IKEA products several years ago.

## • Combined transports

A combined transport (combi-transport) is a way of combining the large capacity and many times lower environmental impact of the railway with the flexibility of road transport. Goods are transported by road over short distances, for example, from the factory to the nearest goods marshalling yard, and then transferred to rail transport for the longer stretches of their journey. We are working towards increasing our use of combi-transports.

## • Down and feather

Down and feathers are used as filling material in pillows and quilts. The material we use is not taken from living birds, but is a by-product of the poultry industry.

## • Flame retardants

Flame retardants is a collective term for chemical preparations, usually organic compounds containing bromine, which are applied to products to reduce the risk of fire. They are used in computers, in certain textiles for furniture, curtains, etc. Bromine based flame retardants are thought to be harmful to living organisms and since they are highly stable compounds, their concentration in the environment is steadily increasing.

We have voluntarily chosen to abstain from the use of brominated flame retardants for our furniture and textile range. Our policy is to use flame retardants only when legislation makes this necessary and in those cases choose alternative solutions to bromine based flame retardants.

## • Forest Stewardship Council (FSC)

Forest Stewardship Council (FSC) is an independent, non-profit and non-governmental organisation. The FSC supports environmentally appropriate, socially beneficial and economically viable management of the world's forests. Its main activity is to accredit organisations that certify forest management according to a set performance standard. Forest products derived from forests certified within the framework provided by the FSC are allowed to carry the FSC trademark.

## • Formaldehyde

Formaldehyde is a gas, which occurs widely in nature. It is, for example, naturally present in wood and fruit. Formaldehyde is added to various products such as adhesives, paints, varnishes and textiles. High concentrations of formaldehyde can cause an allergic reaction.

We have strict rules concerning formaldehyde, and we do not permit the use of paints and varnishes containing formaldehyde additives. For wooden products we apply the German E1 standard and have done so for many years now.

For textiles we apply the Finnish regulations. In both cases, these are currently the strictest requirements within their field worldwide.

## • Glue

Glue is available in a great variety for different purposes. White Glue (PVAC) is water-soluble and dries to give a colourless join. It is often used for furniture and is regarded as one of the most environmentally adapted glues currently available.

Carbamide glue is used primarily for bonding veneer to particleboard. Hot melt glue is used, for example, to fix edging strips to particleboard and to seal packaging. Hot melt glue contains plastic.

## • Hardboard

Hardboard is made of finely ground wood chips, which are compressed at high temperature. The binder is lignin, which occurs naturally in the wood. No glue is added.

## • Intact natural forests

Intact natural forests are forest that are unfragmented, where no

systematic forest management has been carried out and where access to the area is restricted, i.e. no roads, mines, pipelines etc.

## • Laminates

Laminates are products composed of several layers of material. One example is laminated flooring where the bottom layer (core) consists of particleboard and the top layer of resin-coated paper. These are bonded together under high pressure and at high temperatures. Our laminated flooring has formaldehyde content far below the current limit value.

## • Mercury

Mercury is a highly toxic heavy metal. It is used in batteries and certain lamps, fluorescent light tubes and low energy bulbs. Even though the amounts used have been greatly reduced, it is still very important that products containing mercury are handed in for recycling and not disposed of together with other household waste. IKEA low-energy bulbs contain very low amounts of mercury (less than 3 mg/bulb).

## • Mothproofing agents

Mothproofing agents are sometimes used in the preparation of woolen textiles to prevent damage by moths. The majority of woolen textiles in the IKEA range are not treated with mothproofing agents. Where protection is required, we follow the code of conduct established by the IWS (International Wool Secretariat).

## • Packaging

Packaging protects the products during transportation. Our basic requirement is that packaging must be reusable or recyclable and contain as high a proportion of recycled material as possible. PVC is not an approved packaging material by us.

## • Paints and varnishes

Paints and varnishes, collectively referred to as coatings, are used to protect surfaces against moisture, chemicals, abrasion and discoloration. Pigments are often added to give the layer colour.

We use water-based or UV coatings on IKEA products wherever this is technically possible. We have banned coatings containing additive of formaldehyde. We are working closely with the industry to significantly reduce the amount of solvents present in surface coating systems.

## • Particleboard

Particleboard is made of wood chips glued together and compressed at high temperature. The raw material is largely waste from the wood processing industry, but new raw material is also used. The glue normally used contains a certain amount of formaldehyde (see formaldehyde) to make the board stronger. We observe what is currently the strictest limit anywhere for formaldehyde in wood based products, namely the German E1 standard.

## • PCP

PCP, PentaChloroPhenol, is sometimes used as a wood preservative and as an anti-mould agent in leather and textile preparation. PCP is harmful to living organisms. We apply the strictest possible regulations on PCP, namely the German regulations. These specify a maximum limit of 5mg PCP/kg, which in practice means a ban on the use of PCP.

## • Plastic

There are many types of plastic. All are oil-based and most can be recycled. We use mostly polyethylene (PE) and polypropylene (PP) plastic. PVC has been gradually phased out as a material in our products and packaging. The sole exception is in electrical cables where no feasible

alternative is yet available. To simplify sorting and recycling, our plastic products are marked to identify the material.

## • Recycled material

Recycled material means that material from a discarded product has been recycled and used for the manufacture of a new product. Most materials can be recycled.

## • Sustainable forestry

Sustainable forestry means the stewardship and use of forests and forest lands in a way, and at a rate, that maintains certain key criteria and does not cause damage to other eco-systems. The key criteria are biodiversity, productivity, regeneration capacity, vitality and the forests' potential to fulfill, now and in the future, relevant ecological, economic and social functions, at local, national and global levels.

## • Teak

Teak is a hard and durable wood, which is used, among other things, for boat parts and outdoor furniture. The teak used in IKEA products is obtained from well managed plantations on the island of Java in Indonesia. All IKEA products made from teak must be certified according to the FSC or equivalent systems.

## • Tropical wood

Tropical wood is the term used to describe timber from any of the great variety of trees that grow in the tropical zone. The use of high-value tropical tree species is frequently debated and often criticised as contributing to the fast destruction of the world's rainforests. We approve the use of high-value tropical tree species, such as teak, mahogany, rosewood, meranti and jacaranda, only if certified and labelled according to FSC (Forest Stewardship Council).

# • **IKEA**

## **- environmental and social issues**

Being economical and inventive means being kind to your wallet as well as to the environment.

Even in IKEA's childhood we understood that we had to use raw materials effectively to be able to sell at low prices. We found out that flat packages were easier for the customers to handle whilst at the same time they resulted in less and thereby cheaper transport between the manufacturers and our stores. Was it also consideration for the environment that urged us at that time?

Not at all. It was not until later that the world began to use words like "environmentally adapted" and that we ourselves understood that being economical was not only good for our customers, but often for the environment as well.

In this booklet you can read about how we at the IKEA Group work with environmental and social issues.

