Sustainability Report 2011

IKEA Group September 1, 2010 – August 31, 2011

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About this report
This report describes the sustainability work carried out and results on a global level by the IKEA Group during financial year 2011, from 1 September 2010 to 31 August 2011 (FY11).

How to read this report
The structure of this report reflects the environmental and social responsibility approach to our stakeholders and describes developments during FY11. We use key performance indicators (KPIs) to show results against our targets. The report complements the IKEA Yearly Summary, which provides an overview of the company's financial results and highlights from FY11. It is available at the IKEA website.

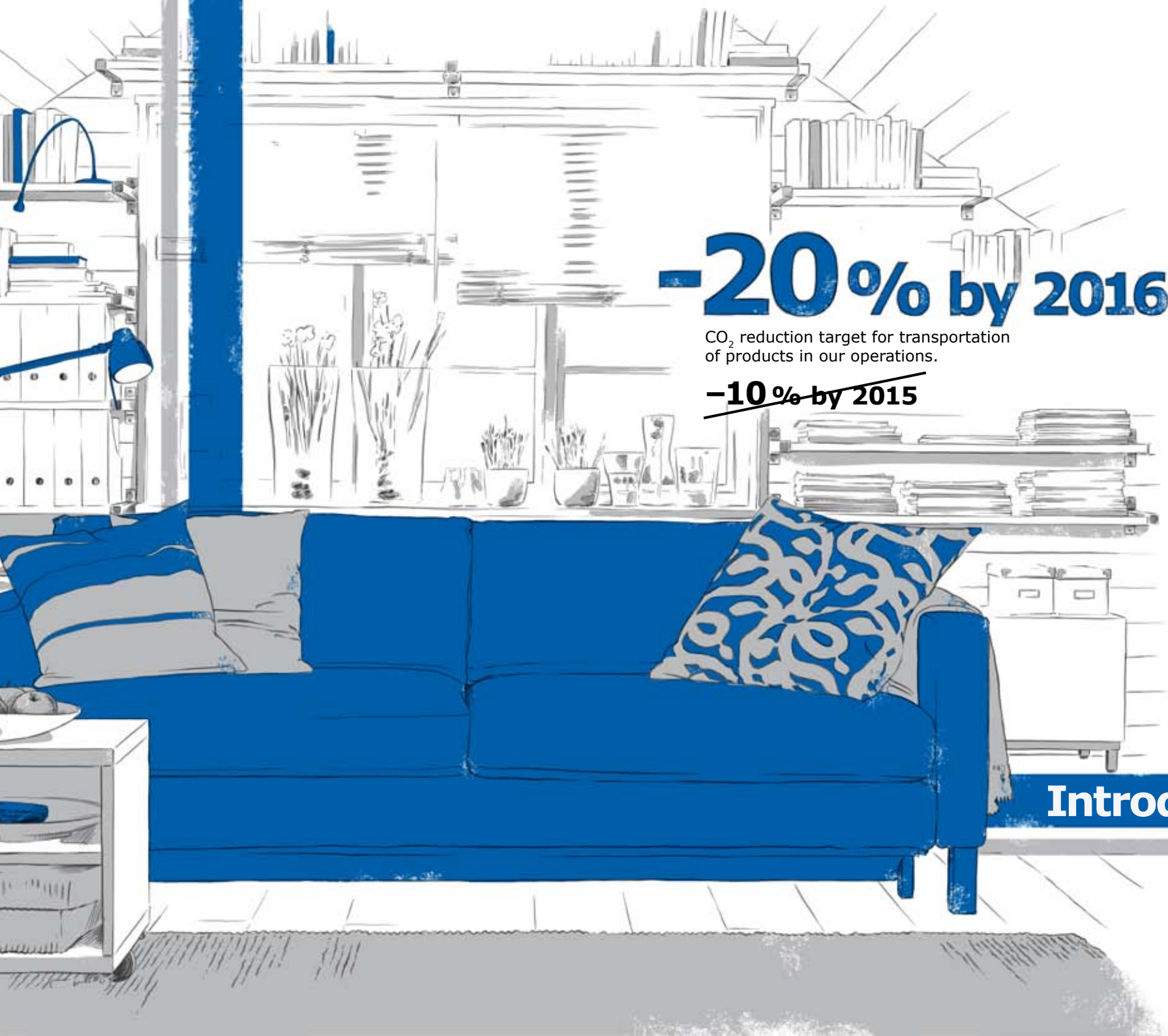
In the last chapter, "Metrics & references", we have gathered the metrics presented throughout this report. This report is our communication on progress (CoP) as a signatory to the UN Global Compact, and a cross-reference list shows how we implement the ten principles of the UN Global Compact in our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

The report supplement "The IKEA approach to sustainability – How we manage sustainability in our business" contains descriptions of our systematic work with sustainability.

Read the Yearly Summary at www.IKEA.com

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

TELL US WHAT YOU THINK
We encourage you to send your feedback and/or questions about this report to us at sustainability.report.se@IKEA.com

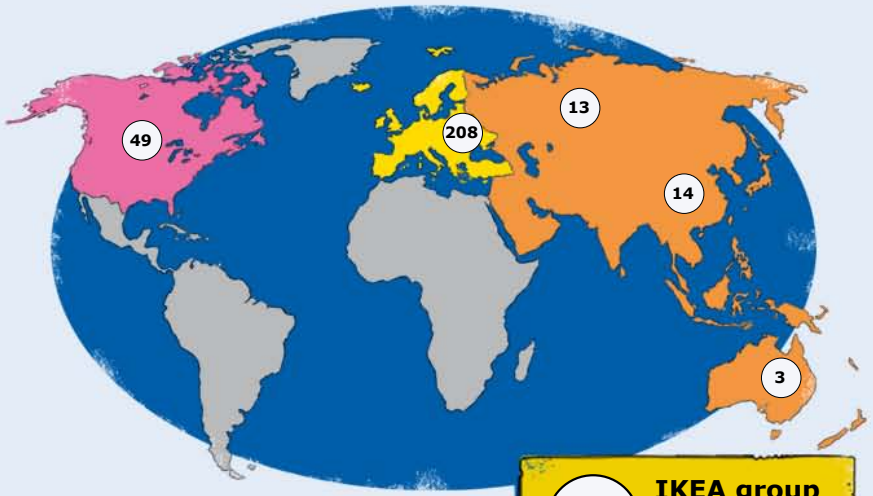


-20% by 2016

CO_2 reduction target for transportation of products in our operations.

~~–10% by 2015~~

Introduction



287 **IKEA group stores worldwide**

TOP SELLING COUNTRIES
Germany 15%
USA 11%
France 10%
Italy 7%
Sweden 6%

TOP 5 PURCHASING COUNTRIES
China 22%
Poland 18%
Italy 8%
Sweden 5%
Germany 4%

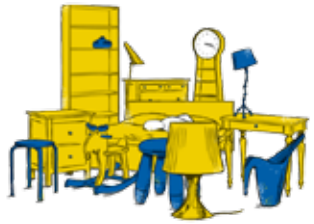
PURCHASING PER REGION
Europe 63%
Russia, Asia & Australia 33%
North America 4%

CO-WORKERS PER REGION
Europe 106,500
North America 16,500
Russia, Asia & Australia 8,000

SALES PER REGION
Europe 79%
North America 14%
Russia, Asia & Australia 7%

TOTAL SALES FY11
Sales increased by 6.9% compared to 2010.
Total sales amounted to EUR 24.7 billion.

STORE VISITS
In 2011, the IKEA Group stores had 655 million visits.



PRODUCTS
The IKEA range consists of approximately 9,500 products.

PRINTED CATALOGUES, LANGUAGES & EDITIONS
The IKEA catalogue was printed in more than 208 million copies in 30 languages and 59 editions.

IKEA.COM
IKEA websites had 870 million visits in 2011.

CO-WORKERS PER FUNCTION
Purchasing, distribution,
wholesale, range & other: 14,300
Retail: 100,000
Swedwood: 16,000
Swedspan: 700
Total co-workers in FY11 131.000

THE IKEA GROUP
The IKEA Group has operations in 41 countries. 29 Trading offices are located in 25 of these countries. The remaining 16 countries are home to 26 Distribution Centres and 11 Customer Distribution Centres.

SUPPLIERS IN 2011
IKEA had 1,026 home furnishing suppliers in 53 countries.

INDUSTRIAL GROUPS
Swedwood, a manufacturing group within the IKEA Group, had 16,000 co-workers and 33 production units in 10 countries.
Swedspan, an industrial supplier within the IKEA Group, had 700 co-workers and 5 production units in 5 countries.
IKEA Industry Investment & Development (IIID) is an advisory and investment service company and has 13 co-workers.

Steps towards a sustainable IKEA

1953 Flatpacks and self-assembly become part of the IKEA concept. By using flat packing we can fit more products in every trailer and container and thus minimise the number of shipments – which in turn means less carbon emissions.

1982 The Dutch registered charitable foundation, IKEA Foundation, is created. Since 2009, all our global philanthropic efforts have been managed by the IKEA Foundation.

1989 IKEA appoints its first environmental manager for our global business.

1990 The first IKEA environmental policy is developed, stating that IKEA shall always strive to minimise any possible damaging effects to the environment.

1991 IKEA bans the use of tropical wood not originating from responsible forestry or plantations.

1992 The iconic IKEA Catalogue becomes the first major colour print publication in the world to use totally chlorine free (TCF) paper.

1993 IKEA becomes a founding member of the global forest certification organisation Forest Stewardship Council (FSC).

1994 IKEA updates all supplier contracts to reflect International Labor Organization (ILO) standards on child labour. IKEA starts work with Save the Children to promote and protect children's rights, integrating knowledge into our supplier standards.

1998 IKEA employs its first forestry manager to increase responsible forest management practices.

1999 A Waste Management Manual is established for IKEA retail operations.

2000 IKEA launches its supplier code of conduct, IWAY, covering both environmental and social standards. A children's rights project with UNICEF breaks ground in India, providing quality education to 80,500 children in Uttar Pradesh.

2002 Together with WWF, IKEA starts a number of projects to further encourage greater adoption of responsible forest management.

2003 The IKEA Soft Toys campaign is introduced. During the holiday season at the end of each year, the IKEA Foundation donates one euro for every soft toy sold in IKEA stores to support Save the Children and UNICEF projects aimed at improving access to quality education for children. So far, 35.2 million euro have been donated as a result of the campaign.

2004 The first IKEA Social and Environmental Responsibility Report is published.

2005 IKEA becomes a founding member of the Better Cotton Initiative, which aims to reduce stress on the environment and improve the livelihoods in cotton farming communities. IKEA and WWF establish Farmer Field Schools in India and Pakistan to train cotton farmers in more sustainable cultivation practices.

2006 IKEA confirms its long-term ambition to run all IKEA owned operations from 100% renewable energy and to become 25 percent more energy efficient compared to 2005.

2007 IKEA and WWF form a strategic partnership aimed at further reducing greenhouse gas emissions in IKEA operations, supply chain and among customers.

2008 All coffee sold and served across IKEA is converted to UTZ Certified, meeting independently verified social and environmental standards for responsible coffee-growing practices. The coffee beans can be traced back to the plantations through a unique code on each pack.

2009 IKEA Foundation supports UNICEF and Save the Children programmes on children's rights in cotton growing communities in India and Pakistan. The Never Ending List is released to IKEA customers, outlining our progress on sustainability.

2010 IKEA develops a Sustainability Direction for 2015, with key priorities and overall goals. Steve Howard is appointed to the IKEA Group management as Chief Sustainability Officer.

DRIVING

ENERGY EFFICIENCY

During FY11, energy efficiency across all IKEA stores improved by 4 percent compared to FY10, helping us save 6.2 million euro and demonstrating how sustainability improvements can deliver strong business benefits. This was mainly achieved through improved energy efficiency of store equipment, such as heating, ventilation, and air conditioning (HVAC) systems and smarter use of commercial lighting. We are also enabling customers to save energy in their homes. During FY11, we sold around 168,000 energy efficient induction hobs, which is nearly half of all kitchen hobs sold at IKEA.

Read more on page 20

SPEEDING UP INVESTMENTS IN

RENEWABLE ENERGY

IKEA has made major investments in renewable energy as we move towards our long-term goal of using 100 percent renewable energy. More than half of our buildings' energy need now comes from renewable sources. Solar panel installations on 40 IKEA buildings in seven countries and 60 wind turbines produced 152 gigawatt hours (GWh) of "green" electricity this year, equivalent to around 12 percent of the electricity needed to run all IKEA stores and distribution centres.

Read more on page 20

INCREASED SHARE OF

CERTIFIED WOOD

IN THE RANGE

IKEA forestry requirements demand that all wood used in our products shall be of known origin, and we work in partnership with WWF and the Forest Stewardship Council (FSC) toward our long-term goal of sourcing all of our wood from responsibly managed forests that are independently verified.

In FY11, the share of FSC-certified wood in the IKEA range increased from 15.8 percent to 16.2 percent, bringing our total use of FSC-certified wood to 2.2 million cubic metres – equivalent to 55,000 fully loaded timber trucks.

Read more on page 26

LARGE DONATIONS FROM THE

IKEA FOUNDATION

The IKEA Foundation aims to improve the opportunities for children and youth in developing countries by funding holistic, long-term programmes run by expert partners such as UNICEF and Save the Children. Programmes are designed to create substantial, lasting change, enabling communities in developing countries to take charge of their own future. Total donations from the IKEA Foundation increased to 65 million euro from 45 million the year before, and currently funded programmes are expected to benefit an estimated 100 million children.

Read more on page 46

SIGNIFICANTLY MORE

SUSTAINABLE COTTON

IN IKEA TEXTILES

IKEA works with WWF and other local partners to help cotton farmers in India, Pakistan, China and Turkey to introduce more sustainable cultivation methods to their cotton-growing practises. More than 100,000 farmers now use techniques that significantly reduce the need for chemical pesticides, fertilisers and water. The share of more sustainable cotton in the IKEA range increased significantly in FY11 – up to 50 000 tonnes, representing 23.8 percent of our total cotton use, compared to 13.4 percent last year.

Read more on page 29

“What is good for society is good for us”

Our vision “to create a better everyday life for the many people” gives IKEA endless opportunities to do good for people and the environment. The “many people” are not just customers or potential customers. It also covers our co-workers, the people working at our suppliers’ factories, the local community and beyond.

We believe what is good for society is good for IKEA. We are passionate about creating a successful business where we act in a responsible way through small and large actions. It is a way of being.

This is why sustainability is a cornerstone in the IKEA strategic direction – it is highly prioritised and serves as a driver of further innovation and development. Economising with resources, finding new ways of doing things and developing our knowledge and expertise, are important parts of our business idea and heritage. A low price company must be a low cost company, and this includes being careful with earth’s limited resources.

IKEA has unique capabilities and tremendous enthusiasm to make a positive contribution across the world - from the forests of Siberia to the cotton fields of India and all the way into people’s homes in New York, Lisbon and Shanghai. Our customers rightly expect us to not only to make our products in a responsible way, but also to help them live more sustainably.

Many of our ambitions and endeavours to “create a better everyday life” involve risks, and we are aware that we will make mistakes along the way. We are constantly learning new things, and must remain honest about the areas where we can improve – continuing to share our progress. Thank you for letting us share some of them through this report.

Mikael Ohlsson
President and CEO, IKEA Group

“IKEA truly wants to make a difference”

There is no doubt that sustainability is having a greater impact on all of our lives. In a world where millions of people will come out of poverty in the coming decades - a positive step forward for society - and many millions are moving into cities every year, we need to move quickly if we are to ensure this growth has less impact on the environment.

Climate change is already having an effect on people’s lives. Extreme weather is causing chaos. Resource shortages are being reflected in higher market prices for everything from cocoa to copper. If we are not really smart and do things right – and fast – we will risk serious food and raw material scarcity in the future.

Yet I am optimistic. The sense of urgency in IKEA has intensified and we are continuing to push ourselves to do even more. We are working hard to secure more renewable energy, protect raw materials, and drive innovation to eliminate waste - choosing instead to create new, valuable resources. And we are making good progress.

Nearly a year has passed since I joined IKEA. It is clear that IKEA sees sustainability as a key, strategic issue which is also driven from a values perspective, deeply rooted in the company culture. As a lifelong environmentalist, I can see that IKEA truly wants to make a difference. IKEA co-workers are enthusiastic and committed, and this is incredibly powerful.

We could not do this alone. We are grateful for the support from those that have helped take us this far – IKEA suppliers, customers, and expert partners. But we should not forget that the real task lies ahead of us. Social and environmental leadership is not optional if we are to be the world’s leading home furnishing company. We must continue to go further with our commitments, engage even more with society, take full responsibility of every impact of our business, and bring a sustainable lifestyle into people’s homes.

I believe that IKEA can make sustainable life affordable and inspiring and that business can be a force for good. If we can achieve that, we will be doing both ourselves and society a great service.

Steve Howard
Chief Sustainability Officer, IKEA Group

The IKEA Sustainability Direction 2015

Sustainability is one of four cornerstones in the five-year strategy for IKEA, "Growing IKEA together". The Sustainability Direction outlines our priorities until FY15. Its five main priorities that influence the entire value chain, from product design and development to the very end of a product's life, are:

1 Offering a range of products that are more sustainable

We have started to evaluate our home furnishing products against the IKEA Sustainability Product Score Card, our tool for more sustainable product development and purchasing. The ambition is to have evaluated 80 percent of products (based on sales value) by FY12. Existing products are continuously improved, and designers and product developers have new tools that enable us to develop a more sustainable range of products.

GOALS FY15

- 90 percent of our sales value shall come from home furnishing products classified as "more sustainable" in the IKEA Sustainability Product Score Card.
- All materials for home furnishing products shall be renewable, recyclable or recycled.
- Our energy-consuming products shall on average be 50 percent more efficient than what was installed on the market in 2008.

2 Taking a leading role towards creating a low carbon society

IKEA has made major investments in renewable energy. Today, we have 60 operational wind turbines and 40 photovoltaic installations that contribute a total of 152 Gigawatt hours (GWh) to the electricity grid, and many more are under way. More than half of the energy used to run our units is now renewable.

GOALS FY15

- By being innovative, energy efficient and using more renewable energy, we shall significantly reduce CO_2 emissions from our own operations, the supply chain and customers travelling to IKEA stores.
- We shall help reduce CO_2 emissions in society by offering products, solutions and know-how that enable our customers to reduce their carbon footprint and live a more sustainable life at home.
- We shall actively participate in developing tools to measure the company's positive impact on the climate.

3 Turning waste into resources

IKEA is investigating new and innovative ways to turn waste into resources, and is testing how to close material loops – minimising the amount of waste that ends up in landfill or being incinerated. So far, we have focused on testing plastics from packaging and home furnishing products. The results show great potential for recycling of materials.

GOALS FY15

- We shall have zero waste to landfill from our own operations.
- We shall enable and encourage all customers to reuse or recycle all IKEA products at end-of-life.

4 Reducing our water footprint

Our most significant water footprint comes from cotton cultivation. This is why we actively support cotton farmers' efforts to introduce more sustainable farming practices. In FY11, we mapped water use in the manufacturing of our products and started working with suppliers to help them reduce water consumption.

GOALS FY15

- We shall significantly reduce the water footprint in our own operations and throughout our supply chain.

5 Taking social responsibility

The share of suppliers that fully comply with the IKEA supplier code of conduct IWAY has increased steadily. Today, 67 percent of our home furnishings suppliers are IWAY approved. Since IWAY was first introduced in 2000, it has contributed to more than 165,000 registered improvements.

GOALS FY12

- All our home furnishing suppliers and transport service providers shall comply with all requirements in our supplier code of conduct, IWAY.

GOALS FY15

- The global index average in the annual co-worker survey VOICE shall reach 700 or above out of a maximum of 1,000.
- The IKEA Foundation funded projects will reach more than 100 million children.
- All IKEA units shall have a clearly defined plan for community involvement based on our Charity Policy.

Sustainability is core to everything we do

The vision for the IKEA business is to "create a better everyday life for the many people". This means caring about people and the environment. IKEA sees sustainability as a business opportunity as well as an essential component of being a good company.

The IKEA Sustainability Direction for FY15 helps us consistently move all aspects of our operations in the right direction towards our goals.

IKEA VISION, BUSINESS IDEA AND SUSTAINABILITY

- The IKEA vision is to create a better everyday life for the many people.
- 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.
- Our ambition is to take the lead in a sustainable, affordable life at home – inspiring "the many people" to fulfil their needs and dreams at home, within the limits of the planet.

Sustainability is a cornerstone of our overall direction

Sustainability is one of the four cornerstones of the overall direction for the IKEA Group, "Growing IKEA together". We want sustainability to be an integrated part of our business, which means that all IKEA strategies and business plans must clearly and systematically integrate sustainability improvements and investments as part of everyday operations. To assist this process, we have developed the "IKEA Sustainability Direction" with key priorities and overall goals for FY15.

We want to take social and environmental responsibility in every stage of our value chain. We are therefore creating and securing sustainable processes for:

- product development and sourcing of raw materials of home furnishing and food products
- production and distribution
- stores and shopping centres
- product end-of-life

Local, national and global responsibility

The IKEA culture is key in defining how we work with sustainability. Among our values are togetherness, humbleness, simplicity and cost-consciousness. We believe in doing more from less, listening to and learning from others, and being fair and honest.

IKEA managers and co-workers, right across our business, are all responsible for including sustainability in their areas of responsibility and setting relevant goals to measure progress. Sustainability managers and social and environmental experts provide support on a wide range of areas, such as chemical, forestry, energy, code of conduct and auditing. In addition, all IKEA stores and distribution centres have social and environmental co-ordinators who deliver with sustainability-related training, and review and manage working conditions, safety, waste, and water and energy conservation.

All sustainability managers report to their line manager, but they are also part of a sustainability matrix headed by the Chief Sustainability Officer (CSO), IKEA Group. The CSO reports to the CEO of IKEA and is also a member of the IKEA Executive Management.

Anti-corruption stance
IKEA does not accept corruption in any form, whether direct or indirect, and works proactively to prevent it. All suppliers must sign an acceptance of this policy.

Our anti-corruption policy and internal code of conduct describe how to act if fraud, corruption, theft or other misconduct is suspected. Clear policies and an internal ethics program with training and workshops help to minimise the risk of unwanted behaviour in the IKEA organisation. We make regular risk assessments in countries around the world and handle any deviations to our policy and guidelines with systematic urgency.

Read more in "The IKEA approach to sustainability"

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

IKEA has long-term partnerships with UNICEF and Save the Children to strengthen children's rights. We also work with the global conservation organisation, WWF, on forest, cotton and climate change projects.

Read more on page 51 Communication on progress

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

100%

We were the first retailer in the world to introduce 100% traceable UTZ Certified cocoa in the form of a chocolate bar.

Customers

Developing more sustainable products without compromises

Read more in "The IKEA approach to sustainability"

We want customers to confidently and freely choose among all our products, knowing that IKEA is committed to sustainable practices and that they do not have to choose between sustainability, style, function or price. It is in our nature to economise on resources, and we always try to make more from less.

Our products must always be safe and healthy. IKEA started to test product quality back in the 1960s. Today, we conduct thousands of tests in laboratories each year to check IKEA products' fire resistance, durability, emissions and much more.

DID YOU KNOW

- We meet our customers in the IKEA stores, where we sell everything for the home displayed in inspiring room settings. In FY11, 655 million customers visited our 287 stores in 26 countries.
- The IKEA range comprises some 9,500 home furnishing products. Materials and products are subject to extensive testing, and we work proactively to stay ahead of health and safety standards and regulations.
- All IKEA stores have a customer restaurant serving fresh, affordable dishes including organic and healthy options. Most stores also have a Swedish Food Market, offering delicious food items under the IKEA Food brand.

New tools to facilitate sustainable product development

The IKEA Sustainability Score Card, developed last year, is now actively in use. This is the most important of a number of new tools helping IKEA develop more sustainable products. By the end of FY15, we aim to have 90 percent of our sales value come from products that are classified as more sustainable according our Score Card criteria.

In addition to evaluating all the products we sell, we are continuing to make improvements at an individual product level. At the start of 2011, 200 design and range development co-workers received training on how to use the web-based Score Card. So far, products that account for around seven percent of IKEA sales value have been evaluated using the Score Card's 11 criteria. Our ambition is to have 80 percent of the sales value evaluated by the end of FY12.

IKEA has also started to use a basic life-cycle assessment tool that helps us compare materials and products with a focus on CO_2 emissions.

In addition, product developers and technicians use a new guide that provides a quick overview of key sustainability aspects of 100 of the most important materials in IKEA products, outlining the carbon footprint and to what extent it is renewable and/or recyclable.

All three tools – the IKEA scorecard, lifecycle assessment tool and material guide – contribute to making sustainability part of product development, helping us identify opportunities for continuous improvements of the IKEA range of products.

Mapping materials to investigate the need for alternatives

By the end of FY15 we aim to ensure that all materials used in IKEA products shall be recycled, recyclable or renewable. Analysis conducted in FY11 shows there are currently 45 materials – used in products representing around 10 percent of IKEA sales value – that do not meet any of these criteria. Challenging materials include foam, rubber and plastic composites. The next step is to develop action plans for replacing these materials or improving them so they can, for example, become recyclable. At the same time, it is important not to introduce additional renewable materials that lead to new social and environmental conflicts. For instance, plastics made from vegetable oils may cause conflicts if land is used for raw material crops instead of food crops.

Polyurethane foam, which is widely used for mattresses and sofas, is durable and comfortable, but it is based on fossil oil and is difficult to recycle. This is why we are investigating how to make it more sustainable – by introducing, for example, renewable raw materials in the foam and by recycling production scraps as well as foam that has been discarded by consumers.

Products that reduce the use of energy and water
We want to help our customers reduce their energy and water use at home. We are well on our way to reaching our FY15 goal that all energy and water consuming products shall be on average at least 50 percent more efficient than the average installed products in 2008.

All IKEA appliances now have energy rating A or A+, and all incandescent light sources have been replaced with the more energy efficient Compact Fluorescent (CFL), halogen and energy-saving light-emitting diodes (LED).

Our new range of front-loaded washing machines, introduced on European markets in FY11, is highly water-efficient. The largest, with a seven kilogram capacity, uses only 45 litres per load.

Introducing more and more affordable LED light sources
Energy-saving light-emitting diode (LED) solutions are one example of how IKEA makes efficient technology more widely available by creating an affordable, competitive offer.

Our first LED lighting product was introduced in the range in 2007. The first separate LED light bulb, with a bayonet fitting, was introduced in FY11. In FY12, the range of LED bulbs will be expanded to fit a variety of lamp sockets and lighting needs. The range of lamps with integrated LED lights will also be significantly expanded.

Phasing out expanded polystyrene packaging
IKEA has decided to phase out packaging solutions using expanded polystyrene (EPS) foam by the end of FY15, and no new EPS packaging applications will be allowed as of 2012. EPS is commonly used as a shock absorber for fragile products, including white goods and ceramics.

EPS is oil-based and difficult to recycle in many IKEA markets, and in some regions it ends up in landfills. Instead, IKEA wants to use a number of more sustainable alternatives. One promising solution is to use fibrous shock absorbers made from 100 percent recycled paper and cardboard, which is folded or moulded to suit the product it surrounds – basically the same solution commonly used for egg cartons.

Innovative technology saves on resources for flat-line products
Many popular IKEA products such as PAX wardrobes and MALM chest of drawers are made from foiled, veneered or lacquered particle board. This heavy material is increasingly being replaced with a lightweight particle board called BoBoard, which is unique to IKEA. Using BoBoard, products are made with high density board only where fittings are placed and extra sturdiness is needed. Significantly less raw material is needed. Product quality and durability, however, remain the same.

Developed at one of our Swedspan factories in Sweden from 2004 onwards, this technology was implemented on a bigger scale in FY11 when Swedspan Lithuania introduced BoBoard manufacturing. Next year, we expect to produce 400,000 cubic metres of BoBoard for the IKEA range, saving around 40,000 tonnes of raw materials or 80,000 cubic metres of wood.

Tackling challenges with palm oil
IKEA purchases Roundtable for Sustainable Palm Oil (RSPO) certificates equivalent to the volume of palm oil used in IKEA products, mainly for candles. We estimate that we will buy 60,000 certificates to cover the palm oil volume used by IKEA in FY11.

Our goal is to help stimulate more sustainable palm oil production. We want to play our part in addressing deforestation, peat land destruction, and social issues relating to indigenous populations and smallholders as well as working conditions in big producer countries such as Malaysia and Indonesia.

This is also why IKEA, together with Kraft Foods, has committed to support a United Nations Development Programme (UNDP) project in Indonesia, which aims to achieve sectorial change that will support sustainable palm cultivation on a national scale. Focus will be placed on small palm oil producers' needs in order to produce sustainable crops. Smallholders account for 40 percent of Indonesia's total palm oil production and are key to the country's economic growth and to preserving the environment. The ambition is to start in mid-2012 and run the initiative over five years, depending on additional funding from other parties.

We hope that national, provincial and district governments in Indonesia as well as companies, NGOs and other associations will provide coordinated support across the sector and throughout the value chain to address the key issues and thus contribute to thriving ecosystems, local communities and economy.

Converting the IKEA Food range to 100% IKEA branded products

The entire range of some 100 food products sold in our stores' Swedish Food Markets is now IKEA unique and sold under the IKEA Food brand.

By moving exclusively to IKEA branded food products we can offer unique, quality products at low prices, and gain better opportunities to influence sustainability aspects during product development and along the supply chain.

Over the coming years, the IKEA Food range will be expanded further. Among the new products to be introduced in FY12 are organic ginger bread cookies and organic sweets.

Focused efforts to use more sustainable food ingredients

We are currently working to increase our use of more sustainable raw materials in our food products, focusing on those that have particular social and/or environmental impacts. We have chosen to work mainly with coffee, cocoa, tea, salmon and other animal-based products.

At least one dish served in IKEA restaurants must be made exclusively with organic ingredients. All coffee sold and served at IKEA is UTZ Certified since 2008. In 2011, IKEA was the first retailer in the world to introduce UTZ Certified cocoa in the form of a fully traceable chocolate bar. All our chocolate bars and the tea sold and served at IKEA shall be UTZ Certified by the end of FY15.

IKEA is also part of the Salmon Dialogue, which is developing principles and criteria for responsible salmon farming. The goal is that all IKEA salmon products are sourced according to the Aquaculture Stewardship Council (ASC) standard by 2015. All other fish must be sourced according to the Marine Stewardship Council (MSC) criteria or appear in the "WWF Seafood consumer guide" to species that come from healthy and well-managed populations that can sustain current fishing levels.

Taking the next steps towards ensuring animal welfare

IKEA believes that good animal welfare is important and an essential criteria for high-quality food and home furnishing products, and we do not accept cruelty to animals.

IKEA has developed an Animal Welfare Policy containing basic requirements on animal rearing, transport and slaughter. It will be rolled out across our home furnishing and food supply chains in FY12.

IKEA has decided not to develop further IKEA specific animal welfare standards for food sourcing, such as our standard on broiler chicken we developed together with Compassion in World Farming (CIWF) in FY10. Instead, IKEA supports the development and use of globally accepted independent standards for animal welfare from the non-profit Global Animal Partnership (GAP). Standards originally developed for the US market are now being adapted globally by GAP, which includes input from farmers, scientists, retailers, sustainability experts and animal welfare advocates. We believe this will support harmonised efforts and help solve challenges related to animal welfare.

Increased training in product safety

Annual training in the IKEA safety alarm process, which helps us prevent injury and/or health hazards, became mandatory for representatives for all IKEA stores in FY11. Each IKEA market has at least one dedicated specialist resource, spreading knowledge through a train-the-trainer approach.

IKEA has also started a Product Safety and Compliance School, offering key co-workers from across IKEA training in the safety alarm process, risk assessment, investigations in case of non-compliance and much more. The training is built of different modules relevant for different IKEA functions working with product-related safety deviations. The aim is to have all modules ready in 2013, mixing classroom sessions with e-learning activities.

Read more about the Global Animal Partnership at www.global-animalpartnership.org

Comments on KPIs and figures 2011

For a product and its packaging to be classified as more sustainable, it must score a certain number of points in the IKEA Sustainability Product Score Card. It is a prerequisite that the product is produced by suppliers that meet the social and environmental requirements in the IKEA supplier code of conduct IWAY. We started using the Score Card following an intense training period in the first quarter of 2011. At the end of FY11, products that account for around seven percent of IKEA sales value had been evaluated, of which 21 percent were classified as more sustainable – equivalent to 2 percent of our total sales value. Evaluations are moving forward and we believe 80 percent of the sales value will be evaluated by the end of FY12.

We want the entire IKEA range to be made out of renewable, recyclable or recycled materials by the end of FY15, and the current 88 percent share of the total range indicates that developments are on track.

We are well on our way to meet our efficiency goal for energy consuming products such as appliances and lights. However, we have not yet found a reliable solution for how to measure improvements in water efficiency compared to historic market averages.

LED is by far the most energy efficient lighting technology on the market. The first separate IKEA LED bulb was introduced in FY11, and we expect the LED share of sales to increase over the next few years as we introduce a wider range of affordable bulbs with this technology.

KPI – CUSTOMERS: More sustainable products

	FY11	Goal FY15
IKEA home furnishing products classified as more sustainable*, % sales value	2	90
Renewable, recyclable, recycled materials %	88	100
Improved efficiency, %		
Improved efficiency of energy consuming products (compared to the average installed on the market 2008)	31	50
Improved efficiency water consuming products (compared to the average installed on the market 2008)	n/a	50

*According to criteria in the IKEA Sustainability Product Score Card

Making a difference by engaging millions of IKEA customers

Read more in "The IKEA approach to sustainability"

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

Customer engagement helps us raise awareness of key issues and make a difference in many parts of the world. We also want to inspire customers to adopt more sustainable behaviours in their everyday life and thus reduce their environmental impact.

IKEA CUSTOMER ENGAGEMENT

- There are two global customer engagement activities – the Soft Toys campaign and the sale of SUNNAN solar lamps.
- The IKEA FAMILY customer club, with more than 45 million customers in 24 countries, is often used to engage customers in a variety of national and local activities related to social and environmental responsibility.
- IKEA wants to help people live a more sustainable life at home by creating awareness and promoting relevant and affordable product solutions that reduce energy and water use as well as household waste.

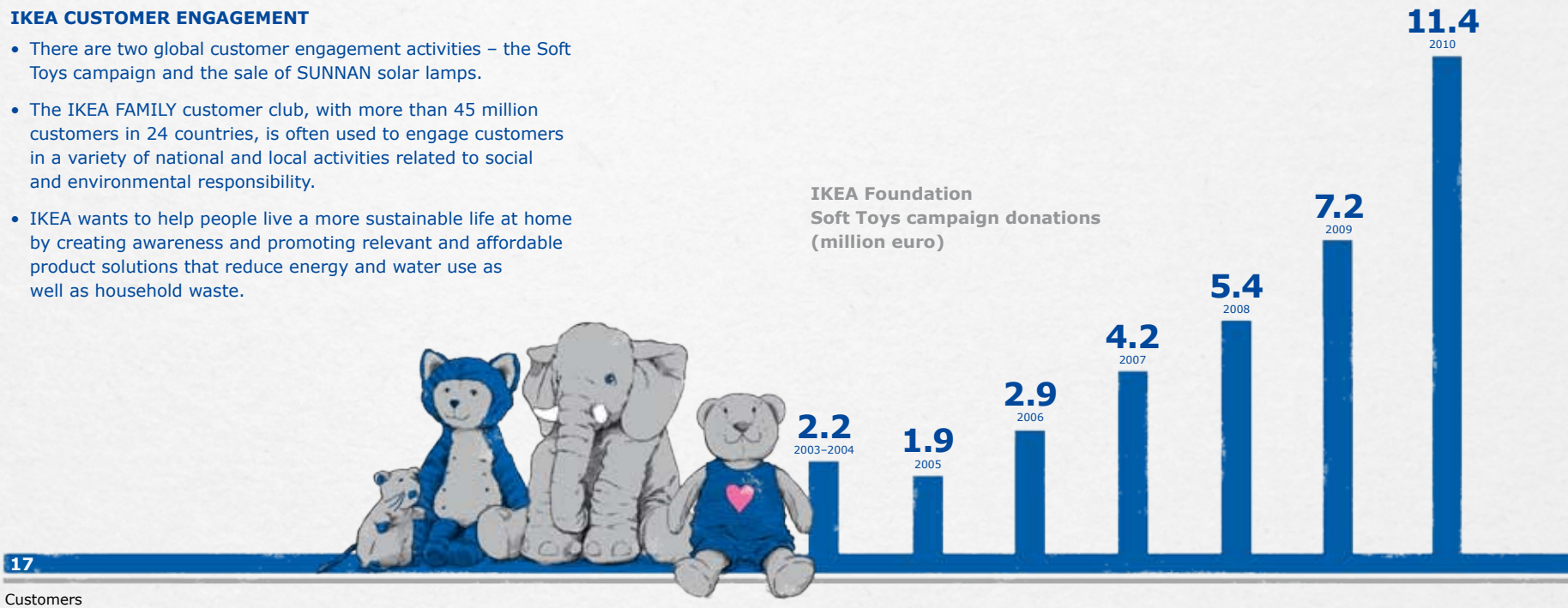
Record high ambitions for the IKEA Soft Toys campaign

During the holiday season at the end of each year, the IKEA Foundation donates one euro for every soft toy sold in IKEA stores worldwide, split between Save the Children and UNICEF projects, aiming at improving children's education. Joining the campaign with a purchase is an easy way for customers to engage in our fight to realise every child's right to a quality education.

The FY12 campaign, starting in November 2011, is expected to generate a record 12 million euro. The money will support projects in 16 countries; Bangladesh, Burkina Faso, Cambodia, China, Ethiopia, Indonesia, Lithuania, Madagascar, Mali, Mozambique, Myanmar, Niger, Philippines, Romania, Russia and South Africa. Save the Children projects focus mainly on Asia, while UNICEF projects focus on Africa.

Customers purchased 8.6 million soft toys during the FY11 campaign. In total, the IKEA Foundation donated 11.4 million euro based on this and other campaign activities, enabling UNICEF and Save the Children to extend or start projects in 20 countries. Since the campaign began in 2003, the IKEA Foundation has donated 35.2 million euro and contributed to improved education for approximately eight million children in 45 countries.

Read more about the Soft Toys campaign at www.ikeafoundation.org



SUNNAN lamps light up children's lives
For every SUNNAN solar-powered lamp sold in IKEA stores, the IKEA Foundation donates one SUNNAN lamp. The lamps are distributed by UNICEF and Save the Children to children in developing countries such as Ethiopia, Kenya and India to help them play, read, write and study after dusk. Since the start of the project in June 2009, approximately one million SUNNAN lamps have been sold, enabling the same number of lamps to be donated.

IKEA FAMILY engages customers through local activities
The IKEA FAMILY customer club helps us care for and reward our most active customers, and the relationship provides opportunities to engage them and capture their feedback on social and environmental issues.

General guidelines for member activities are developed centrally and managed nationally or locally. IKEA markets are encouraged to engage members in charities and a variety of environmental events, as well as in IKEA FAMILY-arranged seminars on living a more sustainable life at home.

IKEA FAMILY has e-mail addresses to many of its 45 million members. This helps us engage them in specific activities. IKEA and UNICEF, for example, are working together on a trial in three IKEA markets to encourage IKEA FAMILY members to sign up for UNICEF's Global Parents campaign on national UNICEF web sites.

Raising awareness of climate change through Earth Hour
Read more about Earth Hour at www.earthhour.org

In March 2011, IKEA units in 25 countries engaged co-workers and customers in the annual Earth Hour campaign, and 18 of these ran national activities together with WWF.

Earth Hour is an opportunity for us to pledge support of planet Earth by turning off non-essential lighting, as well as to offer a range of climate-related activities for customers and co-workers. WWF runs the annual Earth Hour campaign to make people more aware of climate change and inspire them to take practical actions to reduce their own carbon footprint.

Learning more about consumers' views
In FY11, IKEA commissioned a brand strategy consultant to better understand perceptions of IKEA and its sustainability efforts. The project captured insights from 8,500 consumers and 1,250 IKEA co-workers in eight countries on three continents.

The study, using focus groups and quantitative surveys, explored attitudes towards sustainability – what consumers expect from IKEA and what they will give us permission to do to help them live a more sustainable life at home.

The results show that consumers welcome help from IKEA on integrating sustainability into their lives at home. They also want IKEA to take an active role beyond the company's own operations. The study will provide valuable input to our sustainability strategy and internal and external communication over the coming years.

Encouraging people to live a more sustainable life at home
IKEA and WWF are working together in a climate-related project to promote a more sustainable life at home by inspiring IKEA customers and co-workers to adopt sustainable behaviours. The focus is on reducing energy and water consumption, minimising food and other household waste. The project, which started in FY10, has been extended to run throughout FY12.

IKEA created an internal educational film based on two small tests involving customers and co-workers in China and Sweden. In FY12, the project will further explore customer behaviour and needs further. A number of households and one small business in Kalmar, Sweden, will over a six-month period test IKEA products and solutions to live a more sustainable life and the results, including their environmental impact, will be measured and shared internally and externally.

The households will evaluate the way IKEA communicates its sustainable solutions so that we can find more inspiring and effective ways to engage the many customers. A strategy for communication and store solutions will be developed based on the households' input. The project is also expected to provide valuable insights to range development at IKEA.

In addition to the project, an increasing number of IKEA stores are using room settings to engage customers and promote sustainable solutions. In FY12, all stores will display three kitchens with products and communication aimed at raising awareness of how to minimise waste and reduce energy and water use.

23.8%

Share of more sustainable cotton used in IKEA products.

~~13.4%~~

Environment

Reducing the carbon footprint throughout the value chain

Read more in "The IKEA approach to sustainability"

Climate change affects us all. It leads to more extreme temperatures, new wind patterns, worsening drought in some regions, heavier rain in others, melting glaciers and rising global average sea levels. IKEA wants to take a leading role towards creating a low carbon society and strives to reduce emissions throughout the value chain.

Tackling climate change requires a wide range of actions beyond how our products are manufactured and transported, and how we heat, cool and light our buildings. This is why we have a holistic approach and take part in climate-related initiatives all the way from raw material extraction to the use of our products in customers' homes and at the end of a product's life-cycle.

DID YOU KNOW

- IKEA investments in renewable energy have increased substantially over the past few years.
- IKEA strives to use innovative and efficient transport solutions for our products. Effective distribution in the entire goods flow from supplier to customer is an important aspect of achieving a low price and minimising climate impact.
- We support IKEA suppliers to reduce their energy consumption and increase the share of renewable energy used for manufacturing and to heat and cool buildings.

IKEA joins call for 30 percent emissions reduction

IKEA supports the Joint Business Declaration, an EU business call for 30 percent greenhouse gas emissions reduction by 2020 founded by The Climate Group, University of Cambridge Programme for Sustainability and WWF Climate Savers.

The decision to support this call signals our willingness to collaborate with governments, NGOs and other companies to help achieve an exciting, affordable low carbon society.

Increased investments in renewable energy for IKEA buildings

IKEA has made major investments in renewable energy over the past few years as we move towards our long-term goal of using 100 percent renewable energy.

The work to install photovoltaic (solar) panels on around 150 IKEA stores and distribution centres is progressing at increasing speed. Installations have been completed at 40 units in seven countries – Germany, Canada, Spain, US, Italy, UK and Belgium. Another 20 projects are on the way, and so far investment decisions have been taken for a total of 124 photovoltaic projects.

IKEA also made large investments in wind farms in FY11. One operating wind farm with seven turbines was purchased in Scotland, and IKEA is building a nine turbine wind farm in central Sweden. This wind farm, expected to be connected to the grid at the end of 2011, will produce renewable electricity equivalent to 75 percent of the electricity consumption of the 17 IKEA stores in Sweden.

In FY11, our 60 operational wind mills and 40 solar panel installations generated around 152 gigawatt hours (GWh) of electricity, equivalent to around 12 percent of the electricity needed to run our stores and distribution centres. The amount of renewable energy generated from our own sources is expected to increase significantly in FY12.

More energy efficient IKEA stores

During FY11, energy efficiency across all IKEA stores improved by four percent compared to FY10, helping us save 6.2 million euro and demonstrating how sustainability improvements can deliver strong business benefits. This was mainly achieved through improved energy efficiency of store equipment, such as heating, ventilation, and air

conditioning (HVAC) systems and smarter use of commercial lighting.

A simulation tool was used for all new store projects in FY11 to help integrate more energy efficient methods before construction breaks ground. The tool helps calculate the consequences of architectural aspects, as well as various technological solutions for lighting, heating and cooling while also comparing estimated pay-back time. By simulating the consequences of different options before the final decisions are taken, IKEA can reduce the store's energy consumption and operating costs for many years to come.

The current average energy consumption for existing stores is close to 67 kilowatt hours (kWh) per cubic metre of sold goods. New stores in some locations – depending on the local climate and other factors – have the potential to limit the consumption to 25–30 kWh/m³.

New IKEA national energy efficiency targets for stores

We have set annual targets for energy efficiency improvements at national levels, based on local conditions and circumstances. Energy efficiency in IKEA stores is expected to improve by 3 to 5 percent per annum FY12–15, representing an overall improvement of 20 percent compared to FY10.

New ambitious CO_2 reduction target for transport of products

IKEA has to set a more ambitious reduction target for CO_2 emissions from transport of products.

The goal set in FY10 was to reduce emissions by 10 percent by the end of FY15, with FY10 as the base year and calculated as grams per cubic metre transported goods (CO_2/m^3). Having revised that target we now aim to reduce emissions by 20 percent by the end of FY16. This new target reflects improving filling rates as well as efforts among transport service providers to reduce their fleet emissions.

Continued efforts to reduce transport needs by optimising loads

Ongoing efforts throughout the IKEA supply chain help us fit more products into each truck and container, reducing the number of transports and thus reducing carbon emissions.

The work to phase out wooden pallets is progressing well. Today 70 percent of shipments from suppliers to IKEA distribution centres and stores in Europe and all transport in Asia are made using paper pallets and recycled plastic loading ledges. Stores and distribution centres are in the process of adapting their warehouse racking to accommodate the new goods standards in a safe and effective manner.

IKEA product developers and packaging specialists optimise designs to fit modern trucks and containers rather than the fixed wood pallet sizes. The compact, lightweight and recyclable paper pallets and loading ledges allow more goods in each load. Paper pallets are only five centimetres high, one third of wooden pallets.

Around 60 percent of product volumes going by sea are now transported in High-Cube (HC) containers with a standard height of 2.7 metres. These are only 12 percent larger than traditional Dry-Van (DV) containers with a height of 2.4 metres, but we can often load 25 percent more as HC allows for an extra half-pallet layer of products loaded on paper pallets and loading ledges.

Similarly, we are shifting road transport from the standard 2.4 metre high trailers to the increasingly common 2.7 metre high trailers in Europe. This is expected to have the same positive impact on reducing road transport as the HC containers have at sea. In turn, this will contribute to keeping CO_2 increases from transport lower than the overall IKEA sales growth.

A third, half-pallet level is not always possible due to issues such as weight limitations, but our tests show that if we use the higher trailers and containers globally where and when suitable, the saving can be 100,000 loads less per year, equivalent to 58,000 tonnes of CO_2 emission.

Increasing intermodal transportation to reduce road travel

IKEA strives to reduce road transportation to cut CO_2 emissions, and instead use more rail. While railway transport all the way from suppliers to stores or distribution centres is not always feasible, we are increasing the use of intermodal transport. Goods are loaded onto a container or trailer that can be transported by ship, rail or truck without handling the freight itself when changing modes.

In FY11, two new intermodal routes were introduced; one between Romania via the Benelux countries to the UK, and one between Poland and Italy. In total, around a dozen intermodal routes have been established in Europe.

Projects contribute to improved energy efficiency at suppliers

Successful energy projects with suppliers prove that relatively modest investments often lead to big improvements in energy efficiency. Some 30 home furnishing suppliers in a number of industries have collectively saved more than 370 gigawatt hours (GWh) and 80,000

tonnes of CO_2 emissions with support from IKEA in FY11.

One textile supplier in Bangladesh has piloted the IKEA Supplier Development Program (SDP) for energy in FY11. The supplier identified and implemented a number of efficiency measures that reduced energy consumption by 29 percent and cut CO_2 emissions by 25 percent. The annual savings represent 1.1 million euro, and 15,600 tonnes of CO_2. In FY12, a number of suppliers will be eligible to take part in SDP energy projects with the goal of reducing consumption and carbon dioxide emissions, while also saving costs and increasing competitiveness.

Many suppliers have also invested in renewable energy, for example, installing photovoltaic panels or biomass boilers. Today, the share of renewable energy used at IKEA home furnishing suppliers is 12 percent, excluding what is being purchased from electricity grids.

Joint WWF project to help suppliers reduce emissions

A joint IKEA and WWF project "Climate Positive Opportunities for Suppliers" is currently underway in Poland and China and will continue to run until the end of 2011. The aim of the project is to encourage the development of innovative solutions that will help suppliers reduce their carbon footprint. It will also help to identify and aid the removal of barriers preventing suppliers pursuing such projects.

As a result of the joint project, we know that awareness – what can be done and how - and costs are two of the main barriers for our suppliers in Poland. This is why the project has produced a factsheet to help suppliers understand new government incentives available for energy efficiency and renewable energy projects. By informing suppliers and guiding them on how to apply for the incentives, we expect that they will be more likely to embark on energy- and carbon-reduction projects.

IKEA and WWF have also invited innovative companies to develop low carbon solutions for textile and plastic manufacturing processes with a view to improving the drying process for wet textiles and injection moulding in plastics, two potentially resource intensive methods. So far, more than 30 proposals have been submitted and are being evaluated in cooperation with suppliers.

In addition, the project has organised workshops and participated in a number of energy forums in China and Poland, and had dialogues with politicians and authorities to support legislative changes that make investing in renewable energy more attractive.

Developing the IKEA Food range with climate considerations

IKEA has started to adapt its food range to reduce CO_2 emissions by using a basic carbon calculator when developing new dishes. Next year, the use of beef and pork will be reduced in favour of fish, poultry and vegetarian alternatives. A new chicken-based meatball recipe, with a five times smaller carbon footprint than today's meatballs made of beef and pork, will also be tested in selected IKEA restaurants in five countries in FY12.

Moving towards more sustainable people transport

IKEA wants to help customers and co-workers use more sustainable modes of transport to travel to and from IKEA easily. A number of global and local initiatives support this ambition, and a "toolbox" developed together with WWF help spread ideas and solutions for more sustainable people transport.

Internally, an increasing number of co-workers use virtual meetings instead of travel. In FY11, meetings via the web and telephone increased by 27 percent to nearly 105,000. The number of hours of video meetings tripled to 2,800 hours as a result of better service quality and more facilities – we now have 70 locations with video facilities compared to 33 one year ago. This trend is expected to continue thanks to increased efforts to promote virtual meetings.

Climate

Comments on KPIs and figures 2011

IKEA wants to take a leading role towards a low carbon society, and significantly reduce the carbon footprint from all parts of our operations, while also helping to reduce emissions in society.

Emissions in the value chain are based on the draft Corporate Value Chain (Scope 3) Accounting and Reporting Standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Our calculations show that 84 percent of the carbon dioxide emissions related to IKEA and our products are attributed to material extraction, customer transportation, the use of products and their end-of-life.

We measure energy consumption in IKEA buildings and CO_2 emissions are calculated based on this data. The total increase in absolute terms corresponds with our overall growth, and total emissions per cubic metre sold goods are stable.

Other figures

	FY11
Estimated CO_2 emissions, tonnes	
Raw materials	**15,960,000**
Production and distribution	**4,097,000**
– Suppliers	3,300,000
– Goods transport	750,000
– Business travel	47,000
IKEA	**965,000**
– Buildings	860,000
– Employee commuting	105,000
Customers	**9,130,000**
– Transportation to stores	2,170,000
– Product use	6,960,000
Products end-of-life	**1,640,000**
Total	**31,792,000**

Greenhouse Gas Protocol (GHG) Scope 1-2-3 CO_2 emissions, tonnes	
Scope 1 (Direct emissions from sources owned or controlled by IKEA)	122,000
Scope 2 (Emissions generated from purchased electricity consumed by IKEA buildings)	738,000
Scope 3 (Estimate based on the draft GHG Protocol Corporate Value Chain Accounting and Reporting Standard)	30,932,000
Total Scope 1-2-3	**31,792,000**

Other figures

	FY08	FY09	FY10	FY11
IKEA buildings CO_2 emission, tonnes				
Stores	314,744	326,700	435,344	428,997
Distribution	41,604	39,963	47,999	45,151
Swedwood	230,000	239,620	246,277	287,907
Swedspan	–	–	83,835	92,770
Offices	5,178	2,950	4,730	4,791
Total	**586,348**	**609,233**	**818,185**	**859,616**
Total kg CO_2/m³ sold IKEA products	**25.7**	**26.4**	**34.3**	**34.4**

Estimated total CO_2 emissions 2011

50%	13%	3%	29%	5%
Raw materials	Production and distribution	IKEA	Customers	Products end-of-life

Climate:
Energy use in IKEA buildings

Comments on KPI and figures 2011

IKEA has made major investments in wind and solar energy, and at the end of FY11 the electricity generated from our own sources equalled around 12 percent of what is needed to run our stores and distribution centres.

The share of renewable energy used in IKEA buildings increased and we hope to achieve 70-80 percent by FY15 if the current rate of progress is maintained.

Overall, energy efficiency in our buildings improved during the year. Efficiency in Swedspan operations, however, decreased compared to FY10 mainly due to the installation of new equipment for capacity increase in the Hultsfred factory in Sweden. During that process, energy was still required for auxiliary processes but there was no production of particle board.

KPI – ENVIRONMENT: Renewable energy

	FY08	FY09	FY10	FY11	Direction
Renewable energy IKEA buildings, % total consumption					
Stores	37	38	34	40	100
Distribution	37	41	34	39	100
Swedwood	60	63	59	61	100
Swedspan	–	–	62	62	100
Total	**47**	**50**	**47**	**51**	100

KPI – ENVIRONMENT: Energy efficiency

	FY08	FY09	FY10	FY11	Direction
Improved energy efficiency, % compared to 2005, kWh/m³ sold goods					
Stores	7	5	7	10	25
Distribution	21	21	22	33	25
Swedwood	28	23	32	36	25
Swedspan	–	–	–	–5*	25

*Compared to FY10, which was Swedspan's first year of operations.

Renewable energy fed to the grid

40
IKEA buildings with solar panels installed

60
Number of wind turbines

152 GWh
Total renewable energy produced

Actual energy consumption in IKEA buildings (GWh)

3,600 Total

1,582 Stores

905 Swedwood

916 Swedspan

198 Distribution

Climate:
Transport of products

Comments on KPI and figures 2011

IKEA has set a new, more ambitious reduction target for CO_2 emissions from transport of products. The previous goal was to reduce emissions by 10 percent compared to FY10 by the end of FY15, and we now expect to reduce emissions by 20 percent by the end of FY16.

Filling rates measure to what extent trucks and containers are filled with IKEA products. The aim is to fill each shipment as much as possible – considering weight restrictions, etc. – in order to reduce the overall number of shipments and thus minimise emissions from transportation. However, this measurement does not fully reflect the benefits of the increased use of larger trucks and containers over the past few years – loads now often hold more goods even if the filling rate is somewhat lower, and emissions are reduced as the number of shipments is reduced. For example, containers shipped at sea from Asia transported around three percent more goods in terms of volume in FY11 compared to FY10 following the increased use of High-Cube containers.

KPI – ENVIRONMENT: Transport of products

	FY08	FY09	FY10	FY11	Goal FY16
CO_2 emissions reduction per cubic metre transported goods (% change CO_2 gram/m^3, compared to FY10)					
Compared to FY10	–	–	–	–4.9	–20

KPI – ENVIRONMENT: Transport of products

	FY08	FY09	FY10	FY11	Goal FY12
Filling rate, %					
Inbound (supplier to warehouse)	62	63	64	63	70
Outbound (warehouse to store)	58	60	60	61	70
Direct (supplier to store)	57	60	62	63	70

Comments on KPI and figures 2011

The number of web and video meetings increased substantially in FY11. This reflects increasing internal awareness of the possibilities to conduct efficient virtual meetings, as well as improved availability of high quality facilities.

We strive to keep business travel to a minimum, and encourage co-workers to make informed choices of local travel alternatives to and from IKEA units. When searching for information on the IKEA Intranet on how to get to a specific location, the CO_2 footprints of the various alternatives such as cars, trains and buses are listed.

Climate:
Transport of people

Other figures

	FY08	FY09	FY10	FY11
Business travel				
Business travel expenditure index, base year 2007	–	69	67	66
Number of web and video meetings	–	52,000	82,434	104,920

IKEA forestry requirements influence global timber trade

Read more in "The IKEA approach to sustainability"

Wood has always been one of the most important raw materials for IKEA. In FY11, we used 14.5 million cubic metres of timber for products, printed matter and packaging – equivalent to 362,500 fully loaded timber trucks.

With the scale of our use comes responsibility and opportunities to influence the global timber trade. Our IWAY forestry requirements demand legality and known origin of the timber used in IKEA products, which means that high standards are applied throughout the supply chain.

DID YOU KNOW

- All wood used for IKEA products must live up to our minimum requirements, which include not using wood that has been illegally harvested. Suppliers must demonstrate that they have systems to ensure that IKEA minimum requirements are met before they are allowed to start delivering to IKEA.
- Our long-term goal is that all wood used in IKEA products is recycled or comes from forests independently verified as responsibly managed. The Forest Stewardship Council (FSC) is currently the only certification standard that meets IKEA requirements. IKEA was one of the companies that initiated and founded FSC in 1993 together with Greenpeace and WWF.
- IKEA and WWF have worked together since 2002 on projects aimed at combatting illegal logging, promoting responsible forest management and protecting high conservation value forests. Today, we have joint projects in 11 countries in Europe and Asia.

New goal for the share of certified wood in the IKEA range

IKEA has set a new goal for the share of wood used in the range that meets our requirements for "preferred sources". By the end of FY17, an estimated 10 million cubic metres, representing 50 percent, of the solid wood and board materials used for IKEA products shall meet IKEA preferred wood requirements. Today, "preferred sources" means FSC-certified wood with a fully verified supply chain. As of FY12, we will also include recycled wood in our definition of "preferred sources" as we believe it is important to promote efficient material use.

IKEA is one of the world's largest retailers in terms of FSC certified wood volumes. In FY11, the share of FSC-certified wood used in the IKEA range increased to 16.2 percent from 15.8 percent – this represents 2.2 million cubic metres, an increase of 225,000 cubic metres on the previous year

During the year, our 15 forestry specialists worked closely with IKEA purchasers and suppliers to increase the number of certified suppliers, who now handle 63 percent of total wood volumes used in IKEA products - up from 73 suppliers and 47 percent of wood volumes in FY10.

We work actively to increase overall availability of FSC-certified wood in cooperation with WWF and others in important wood sourcing regions such as Russia, China and Eastern Europe. For example, in FY11 we contributed to the opening of an FSC office in Siberia that will support certification locally, including IKEA sub-suppliers in China.

Implementing IKEA forestry requirements for board materials

IKEA forestry requirements for responsible wood sourcing were applied also to board materials in FY11 – more than doubling the volume of wood-based products covered by our sustainability requirements.

The roughly 100 board product suppliers were given four months to adjust to the new requirements. Overall compliance on board material wood sourced in Europe was high from the start, while suppliers in some Asian countries had some difficulties meeting our tracing requirements. We were aware of the potential risk of overall compliance with our forestry requirements lowering as a result of including board materials in our responsible sourcing scope. Instead, compliance with IKEA forestry requirements improved during the year.

More than 80 percent of the wood used for IKEA board materials comes from the EU, where suppliers generally have well-established systems for bookkeeping and certificates to show where the raw material comes from. But board materials are made from a variety of species and come from many sources – such as branches and small logs, cut-offs from other manufacturing, chips and saw dust – which makes tracing more challenging in countries where suppliers lack appropriate documentation routines.

This is why IKEA conducts additional supply chain risk assessments and cooperates with the Rainforest Alliance, Forest Legality Alliance, WWF and others to ensure that our control systems are efficient and that we benefit from their knowledge and expertise.

Read more about the IKEA and WWF partnership at wwf.panda.org

Extending our forest partnership with WWF

IKEA has agreed to extend its forest cooperation work with WWF from seven to 13 projects in 11 countries over a three-year period. New project countries are Indonesia and Bosnia-Herzegovina.

The new project in Bosnia-Herzegovina aims to improve the country's forest management through FSC certification and implementation of the High Conservation Value Forest concept. One new Indonesian project aims to set up a rattan production system that supports legality and sustainable sourcing, based on similar projects already running in Laos, Vietnam and Cambodia.

IKEA will also contribute funding to core WWF activities that are not tied to specific forest projects, including communication and organisational capacity building.

Since the start in 2002, the IKEA and WWF partnership has contributed to improved forest management over vast areas in Europe and Asia. In Romania alone, some 80,000 hectares received FSC certification for the first time in FY11, and 600,000 hectares were re-certified. IKEA support for WWF and the national FSC organisation in Russia has helped to increase certified forest areas to around 30 million hectares in 2011 from around 300,000 in 2002.

Requirements for wood used in IKEA products

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

1. Minimum criteria on wood for IKEA products

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

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

2. Criteria for IKEA preferred wood sources*

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

*As of FY12, the definition of preferred wood sources will also include recycled wood.

Comments on KPIs and figures 2011

Our total wood consumption increased approximately 10 percent in FY11, mainly as a result of the overall IKEA growth. Meanwhile, the use of wood from "preferred sources" increased by around 12 percent in terms of volume and we remain determined to increase the overall share in the IKEA range from today's 16.2 percent.

This is why we have set a new, ambitious goal to increase the share of preferred wood to 50 percent by the end of FY17, which represents an estimated fivefold volume increase to 10 million cubic metres. Today, "preferred sources" means FSC certified wood with a fully verified supply chain. As of FY12, we will also include recycled wood in our definition of preferred sources as we believe it is important to promote efficient material use. No historical data on recycled wood is available. Long-term, we want all wood used in the IKEA range to be recycled or come from forests verified as responsibly managed.

In FY11, external and internal auditing covered suppliers corresponding to 74 percent of IKEA wood that was sourced for IKEA. Audit intensity increased compared to FY10. Compliance with IKEA forestry requirements remains high.

Top 5 tree species used for solid wood in IKEA products

Pine | Birch | Beech | Spruce | Acacia

Top 5 sourcing countries for wood

23.3 %	8.0 %	7.2 %	6.7 %	6.7 %
Poland	Germany	Russia	Sweden	China

KPI – ENVIRONMENT: Forestry

	FY08	FY09	FY10	FY11	Goal
Responsible forest management, %					
Wood[1] used in IKEA products coming from preferred sources, % total	-	-	15.8[2]	16.2[2]	FY17: 50%[3]
Wood[1] used in IKEA products coming from preferred sources, m³	-	-	1,988,110[2]	2,230,625[2]	10,000,000[3]
Solid wood used in IKEA products coming from preferred sources[2], % total	7%	16%	23.6%	22.9	FY12: 35%
Audited wood volumes that comply with IKEA minimum forestry requirements, %	80%	92%	97%	94%	

[1]Includes solid wood and board materials. [2]FSC certified. [3]FSC certified or recycled.

Other figures

	FY08	FY09	FY10	FY11
Total amount of wood used in IKEA products (m³)				
Solid wood	7,223,000	5,686,000	5,320,000	5,924,300
Board material	–	–	7,000,000	7,855,500
Total	**–**	**–**	**12,320,000**	**13,779,800**
Number of IWAY and wood supply chain audits				
Performed by IKEA foresters	84	60	117	134
Performed by 3rd party	3	3	7	5
Volumes audited by IKEA foresters in IWAY and wood supply chain audits				
Cubic metres	1,500,000	500,000	1,270,820	1,692,896
Share of total wood used in IKEA products, %	–	–	10.3	12.3
Externally verified				
Share of IKEA suppliers that are FSC CoC certified, %	7.9	19.6	20.3	34.9
Share of total wood volume that comes from FSC CoC certified suppliers, %	23.9	35.3	47.0	62.0

IKEA is determined to make cotton production more sustainable

Read more in "The IKEA approach to sustainability"

Cotton is one of the most important raw materials for IKEA. It has excellent comfort qualities as it is soft and breathable – and it is a renewable resource. At the same time, it is a material associated with major concerns for both people and the environment.

This is why IKEA supports projects in major cotton producing regions to help farmers make conventional cotton production more sustainable, and the IKEA Foundation supports projects to prevent child labour. By the end of FY15, all cotton in IKEA products should be produced according to the social and environmental criteria set by the Better Cotton Initiative (BCI).

DID YOU KNOW

- In order to address the challenges associated with cotton, we must start at the farms. IKEA and WWF started to support cotton farmers by introducing more sustainable farming practices in 2005. Today, IKEA supports projects run by several organisations and we reach more than 100,000 farmers.
- IKEA was a founding member of the Better Cotton Initiative (BCI) and takes an active role in helping make Better Cotton a tradable commodity. Our goal for the end of FY15 is that all cotton used for IKEA products is Better Cotton and compliant with BCI's social and environmental criteria.
- The IKEA Foundation supports projects run by UNICEF and Save the Children in cotton farming areas in India and Pakistan to improve children's rights. Between 2009 and 2015, around 10 million children in more than 15,000 villages are expected to benefit from the project.

Nearly doubled share of more sustainable cotton in the range

IKEA suppliers purchased 50,000 tonnes of more sustainable cotton from project farmers in the 2010/11 season, about twice as much as the year before. As a result, the share of more sustainable cotton in IKEA products increased from 13.4 percent to 23.8 percent of our total cotton use.

The total harvest of more sustainable cotton reached 250,000 tonnes with more than 100,000 farmers using better management practices through IKEA supported projects. IKEA suppliers purchased only 1/5 of the season's total production from the projects in order to leave sufficient volumes available on the market to speed up the process of making this cotton a tradable commodity available to all.

Moving towards Better Cotton by incorporating "decent work" criteria

The first certified Better Cotton, produced according to social and environmental criteria developed by the Better Cotton Initiative (BCI), was harvested in October 2010 in Pakistan, and farmers here produced almost 63,000 tonnes of Better Cotton over the past season.

IKEA aims for all cotton used for IKEA products to be Better Cotton by the end of FY15. This means that farmers wanting to produce Better Cotton must incorporate not only the environmental criteria originally developed by IKEA and WWF, but also the decent work criteria defined by the BCI. IKEA supported projects in several countries have already started training farmers so that they can meet all Better Cotton requirements through continuous improvements.

Child labour and bonded labour is unacceptable but, unfortunately, not uncommon in rural Pakistan and India, and this represents a major challenge to fulfilling BCI criteria on decent work. This is why IKEA and the IKEA Foundation fund projects run by partners such as WWF, UNICEF and Save the Children to find ways to bring about lasting and large-scale improvements to these issues in India and Pakistan – in the fields as well at strategic levels.

Workshops based on the International Labour Organization (ILO) programme "Decent Work" have been conducted in Lahore, Pakistan. The aim was to find synergies between projects run in the same areas by several organisations, such as UNICEF, Save the Children, WWF and the BCI. The organisations will continue to meet and develop collaborative plans.

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

Read more about the IKEA Foundation at www.ikeafoundation.org

Read more about the Better Cotton Fast Track Programme at www.bettercotton.org

New cotton projects started in China and Turkey

IKEA supports cotton projects run by a number of organisations in order to reach a large number of farmers with more sustainable farming practices. Some 100,000 farmers are now engaged in projects in India and Pakistan, and new small-scale projects were initiated in China and Turkey in FY11.

Three projects in cooperation with the Better Cotton Fast Track Programme have started in the Xinjiang province in China, where farms are often large and specialised cooperatives with big landholdings and many employees. In Turkey, four farmer projects have been initiated by IKEA textile suppliers. Cotton farms in Turkey are generally small by Chinese standards, but still large compared to most farms in India and Pakistan.

As there are no great commonalities between cotton farming in different countries, the projects in each country have to be locally adapted to get the best possible results.

Comments on KPIs and figures 2011

The share of more sustainable cotton used in IKEA products continued to increase significantly in FY11. Availability is improving rapidly, and the current rate or progress indicates that we are well on track to meet our goal for FY15.

KPI – ENVIRONMENT: Cotton

	FY08	FY09	FY10	FY11	Goal FY15
Share of more sustainable cotton used in IKEA products, %	–	6.2	13.4	23.8	100

Other figures

	FY08	FY09	FY10	FY11
Cotton used in IKEA products, tonnes	–	185,000	190,000	210,000
More sustainable cotton used in IKEA products, tonnes	–	11,470	25,500	50,000

Benefits of more sustainable cotton cultivation

-50%
Reduced use of pesticides

–30%
Reduced use of chemical fertilisers

-50%
Reduced use of water

Many project farmers have halved their water consumption and chemical pesticide use, and cut the use of chemical fertilisers by one third. This contributes to significant cost reductions and better earnings for farmers.

More sustainable cotton

6.2%
FY09

13.4%
FY10

23.8%
FY11

Reducing our water footprint throughout the value chain

Read more in "The IKEA approach to sustainability"

Reducing the IKEA water footprint is one of the priorities in the IKEA Sustainability Direction. We want to minimise the water consumption throughout the value chain, from raw material sourcing all the way to customers' homes.

While our overall footprint estimate is still very rough, it is clear that the most significant footprint comes from cotton cultivation. This confirms the importance of our ongoing efforts to spread more sustainable water management practices in cotton farming. At the same time, we have mapped water use in manufacturing and work with selected suppliers to help them reduce their water consumption and improve water quality.

DID YOU KNOW

- In 2009, a first estimate of our water footprint indicated that 2 billion cubic metres is used every year for the production of raw materials, in manufacturing, in our buildings and by customers using IKEA products. Today, we believe that the total footprint may actually be significantly larger, and new calculations will be made during 2012.
- IKEA does not allow direct discharge of untreated waste water from production processes, and suppliers must take precautions to avoid contamination of local water supplies. A biological treatment plant is a business prerequisite for textile suppliers in South Asia, where water stress is an urgent challenge and where many IKEA suppliers have water-intensive production processes.

Getting a clearer picture of water consumption in manufacturing

In FY11, IKEA collected water consumption data from around 300 suppliers, representing more than one quarter of our total home furnishing supplier base, including all suppliers using wet manufacturing processes. This has enabled us to make a more reliable estimate of how much water is used to produce IKEA products. It will also help us set relevant reduction targets for our supply chain during FY12.

We now estimate direct suppliers' total water footprint for FY11 to be between 55 and 70 million cubic metres. The most water-intensive product categories are textiles, rugs and carpets, appliances, glass, board materials and ceramics. Around 10 percent of suppliers with confirmed data use more than 100,000 m^3 per year. These are primarily textile suppliers in South Asia and South-East Europe.

While global reduction targets are yet to be developed, IKEA South Asia has taken the lead with the ambition to help its suppliers reduce water use by 20 percent over the next few years.

Developing a water strategy for the IKEA supply chain

A water strategy is being developed for the IKEA home furnishing supply chain for roll-out in FY12. The strategy, supported by detailed guidelines, aims to set the direction and priorities for how IKEA and its suppliers can work to reduce water use and improve waste water quality. It will also include goals for 2015 and 2020.

Some regions currently have IKEA water specialists, notably in South Asia where water stress is an urgent challenge and where many IKEA suppliers have water-intensive production processes. To support the implementation of the new water strategy, IKEA will develop more competence and resources in the relevant regions.

Projects to help IKEA suppliers improve water management

A pilot project with 20 textile suppliers in six Asian countries and Turkey has explored ways to reduce water use and improve water treatment. In FY12, we plan on engaging a greater number of suppliers in Supplier Development Programs, with a particular focus on better water management.

In the pilot project, suppliers, IKEA water experts and external consultants have identified a number of best practices to reduce the amount of wastewater, increase the amount of recycled water and introduce advanced water treatment. The next step will be to develop guidelines to help IKEA textile suppliers implement these practices.

Comments on KPIs and figures 2011
We have reliable data on water consumption in our own units, and have started mapping consumption at IKEA suppliers. Estimates of the water required for raw material extraction are still rough, and we are yet to identify a reliable method to estimate the water footprint of customers' use of IKEA products.

Swedspan's water consumption increased sharply in FY11 as calculations this year include water used to clean industrial equipment in the factories. This data was not collected in FY10.

Other figures

	FY10	FY11
Water consumption IKEA units (m^3)		
Stores	3,927,551	4,438,075
Distribution centres	265,524	228,772
Swedwood	483,096	510,742
Swedspan	283,277	1,392,882
Total	**4,959,448**	**6,570,471**

Estimated water footprint, %

Raw material extraction
96.2%

Home furnishings production
3.6%

IKEA stores & distribution centres
0.2%

We want to turn waste into resources

Economising on resources is a crucial part of the IKEA culture, and we strive to minimise waste throughout our value chain. One of our goals for FY15 is that no waste from our own operations is sent to landfill. Already today, a high share of our waste is recycled, reclaimed or used for energy production.

We believe that turning waste into resources is an important step towards a more sustainable society. We sort large amounts of waste for recycling in our own units, and are committed to improving the recyclability of IKEA products as well as increasing the use of recycled materials in our range. The aim is to reduce our overall environmental footprint, including CO_2 emissions.

Read more in "The IKEA approach to sustainability"

- All IKEA stores and distribution centres recycle large quantities of materials such as cardboard, paper, plastic, wood, metal and glass. In some stores, as many as 15 categories of waste are sorted. Customers can return used batteries and low-energy bulbs to most stores for safe recycling.
- Waste from production can be put to good use, even if it is not suitable for home furnishing products. Production units at Swedwood and Swedspan – the industrial groups owned by IKEA – often use their own waste to produce energy instead of relying on oil and gas.
- IKEA has products and solutions that help customers to conveniently sort and reduce household waste. The range is continuously being developed following customer feedback and research.

DID YOU KNOW

Great potential for material recyclability

"Closing the loops" is a project that investigates aspects of full material recyclability with the aim to save natural resources, minimising CO_2 emissions and have a positive impact on the environment. The project, which started together with WWF in 2010 and will run until mid-2012, intends to find new and innovative ways to turn waste into resources.

During FY11, small-scale tests on the opportunities and challenges related to closing material loops were conducted, focusing on plastic packaging materials and home furnishing products. The first findings show great potential for recycling of materials that are currently prematurely incinerated for energy use - many of these materials could have been used again. The project has specifically focused on up-cycling possibilities.

As part of one test project, consumers were invited to return discarded plastic furniture to two IKEA stores in Sweden. Two large containers of unwanted plastic furniture were collected over a two-week period, and analysis showed that a large share of the material could be used again. IKEA and WWF, together with other stakeholders, will continue to explore the opportunities to recycle more, and have started to develop guidelines to enable the use of more recycled and recyclable materials to help turn waste into resources.

Store project to help turn waste into resources

We are committed to identifying ways to further improve waste management in our stores, in order to meet our goal of zero waste to landfill for store operations. Today, less than 15 percent of the waste generated in stores goes to landfill, and up to 15 different types of waste are sorted for recycling, where infrastructure and local facilities allow. During FY11, this helped us save around 6.7 million euro.

An IKEA project being delivered in cooperation with waste management companies in Sweden and Germany will explore if more types of waste could be separated and get a second life by being recycled. The project, currently at pre-study level, will investigate how IKEA can encourage and enable customers to reuse and recycle IKEA products. This may include organising second-hand events as well as providing opportunities for customers to bring back products such as sofas and mattresses, if they cannot be donated or re-sold by the customer, so that IKEA can help with appropriate separation and recycling.

Comments on KPIs and figures 2011

Our goal for FY15 is that no waste from our own operations is sent to landfill, and IKEA units already recycle large amounts of materials such as cardboard, paper, plastic, wood, metal and glass. The industrial units run by Swedwood and Swedspan often use their own waste to produce energy instead of relying on oil and gas.

Following the acquisition of a factory in Lure, France, Swedspan removed contaminated soil on the factory premises in order to prevent groundwater contamination on the site. This caused an increase of the total waste amount and a decrease in the share recycled for FY11.

Stores' consistent efforts to repair damaged goods to sell "as is" in their bargain corners are reflected in the improved Recovery Index.

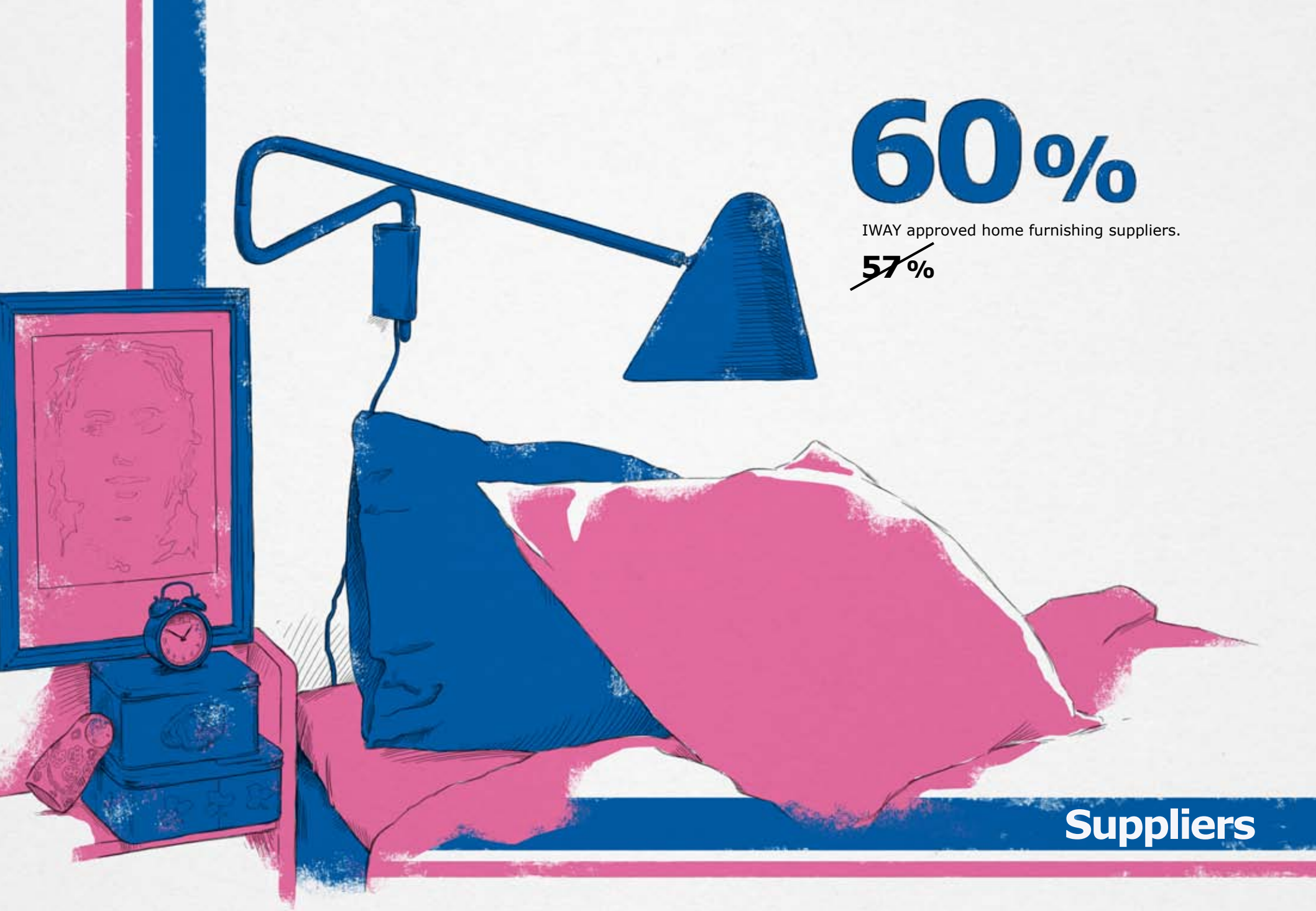
KPI – ENVIRONMENT: Waste

	FY08	FY09	FY10	FY11	Goal FY15
Waste recycled or used in energy production, %					
Stores	85	86	84	86	100
Distribution	90	90	91	90	100
Swedwood	72	74	95	98	100
Swedspan	–	–	86	64	100

Other figures

	FY08	FY09	FY10	FY11
Amount of waste, tonnes				
Stores	276,173	285,156	279,778	307,877
Distribution centres	33,952	38,929	34,369	41,758
Swedwood	17,864	29,956	31,176	26,177
Swedspan*	–	–	10,015	24,621
Recovery Index, %				
IKEA stores	61	61	66	67

* FY10 was Swedspan's first full year of operations.



60%

IWAY approved home furnishing suppliers.

~~57%~~

Suppliers

Our supplier code of conduct contributes to positive developments

Read more in "The IKEA approach to sustainability"

IKEA relies on good, long-term relationships with suppliers who share our values and take social and environmental responsibility. We want to motivate and support suppliers' continuous efforts to improve. Our supplier code of conduct IWAY plays an important role in positive developments.

IKEA is a production-oriented company, and we are often on-site in the factories. This active presence and a solid understanding of production give us the opportunity to take on an active role in supplier development.

DID YOU KNOW

- IKEA strives to build close, long-term relationships with suppliers who are a good strategic fit – we want those who share our values and make high-quality, affordable products in a sustainable manner to grow and develop with us.
- We contribute to positive developments in our supply chain by setting clear standards, being on-site and conducting business responsibly.
- Our supplier code of conduct, IWAY, was first introduced in 2000. So far it has contributed to more than 165,000 registered large and small improvements. Many suppliers have experienced that investments in working conditions and environmentally adapted solutions often lead to more orders, better productivity and improved profitability.

Increased efforts to reach FY12 goal of full IWAY compliance

IKEA aims to achieve full IWAY compliance among our home furnishing suppliers by the end of FY12. This commitment is reflected in focused efforts throughout by IKEA purchasing teams to engage and support suppliers as we work towards this goal. We expect that some existing suppliers are unlikely to be fully IWAY-compliant by the end of FY12, and as a result, we are preparing to phase out those that are unwilling or unable to commit to our requirements.

IKEA has decided to eliminate earlier IWAY exceptions relating to compensation and social insurances for some Asian countries. However, there is a wide gap between the legislated working hours and reality in China. This is why we will accept that suppliers here secure a maximum 60-hour total work week by the end of FY12 as a step-wise approach to achieving the legal limit of 40 working hours per week plus a maximum of 36 overtime hours per month and three per day.

Consistent and clear communication, workshops and training sessions, together with IWAY-based capacity planning and order management have contributed to significant improvements and reduced the number of working hours at key suppliers in China. At the end of FY11, all prioritised suppliers and the majority of our top-50 Chinese suppliers were compliant with a maximum 60-hour week.

Local legislation restricts our suppliers from being fully compliant with the IKEA requirement on freedom of association in China and Vietnam. For this reason we register this point as not applicable on our audit reports in those countries.

Fair Labor Association to help speed up developments in China

If, by FY12, we are to achieve our aim of reducing maximum working hours in factories we source from in China to 60 hours per week, including overtime, we recognise that making overall factory management improvements is crucial and that workers are fully engaged.

This is why we have partnered with the Fair Labor Association (FLA) to further develop labour relations through a pilot project called "Build Motivated Workforce". The pilot project has carried out a series of baseline assessments of management and workers and conducted training for capacity building in selected factories in three strategic regions in North, Central and South China.

Read more about the Fair Labor Association at www.fairlabor.org

The IKEA supplier code of conduct – IWAY

Our IWAY supplier code of conduct outlines 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 workers and sub-suppliers. Below is a summary of some of the key points of IWAY.

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

2. Start-up requirements (IWAY musts)
The following criteria need to be fulfilled before starting up a business relationship with IKEA:

- No child labour
- No forced or bonded labour
- No severe environmental pollution
- No severe safety hazards
- A transparent and reliable system for records of working hours and wages
- Insurance covering medical treatment for work-related accidents to all workers

3. Environmental standards
Suppliers shall reduce the environmental impacts from their production and operations. Suppliers must:

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

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

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

This initiative will help us identify the best way to build trusting and productive relationships between workers and managers in order to create a motivated workforce. The project will develop a set of best practices and steps on how factory workers and managers across China can work together to reach full IWAY compliance through continuous improvements.

Introducing a sustainability index to measure supplier performance
IKEA suppliers' sustainability performance has previously only been measured in terms of IWAY compliance. In FY11, a sustainability index was developed to measure their performance on three other important criteria that are part of the IKEA Sustainability Score Card for products – energy efficiency in production, use of renewable energy in production and raw material utilisation.

Scores from evaluation of the three areas are translated into an overall index figure for each supplier. By using the index we can identify best practice suppliers as well as those that have room for improvement and may benefit from IKEA support.

A supplier with low scores on energy efficiency may need to improve factories' energy management systems. Low scores on renewable energy often reflect market conditions and infrastructure, and suppliers acting in countries with good availability of renewable energy can be expected to have higher scores. Measuring raw material utilisation gives us an understanding of efficiency and suppliers' contribution to our ambition to save on natural resources.

The first baseline indicates that there is room for improvements to be made at many supplier locations. At the end of FY11, around 75 percent of all home furnishing suppliers had been evaluated. Targets relevant for each material category will be developed during FY12.

New business ethics training and global "trust line" for suppliers
IKEA has zero tolerance towards unethical business practices, including corruption, and works proactively to prevent them. We strive to foster an ethical business culture to minimise the risk of illegal behaviour, and our latest supplier survey shows that 97 percent of IKEA home furnishing suppliers consider our rules and instructions on corruption to be clear.

To improve awareness and openness and to clarify our values and rules, all co-workers in the IKEA purchasing teams received mandatory training in business ethics during FY11. A similar training program for our home furnishing suppliers will be rolled out in FY12.

An ethics helpline for suppliers – a "trust line" – has been operational in some regions since 2009. A similar solution will be rolled out to all suppliers in FY12, so they can seek advice or report unethical behaviour in English and local languages. Sensitive information is treated confidentially and every precaution is taken to protect the information provider's identity in the event of further investigations.

Top 5 purchasing countries, %

22 %	18 %	8 %	5 %	4 %
China	Poland	Italy	Sweden	Germany

Number of IKEA suppliers

1,026	88	38	248	748
IKEA Home Furnishing suppliers	IKEA Food suppliers **	IKEA Catalogue suppliers	IKEA Transport service providers*	Indirect materials & services**

*Excluding Customer Delivery carriers **Excluding suppliers managed nationally/locally

Comments on KPIs and figures 2011

The share of IWAY approved home furnishing suppliers increased significantly in FY11 following focused efforts supported by IKEA purchasing teams. We are determined to reach our goal for FY12, and suppliers that are unwilling or unable to commit to our requirements will be phased out.

Today, many suppliers in China do not comply with requirements relating to working hours, and it is not realistic to close the gap between the legislated working hours and reality in a short period of time. Chinese suppliers have been granted one exception from full IWAY compliance by the end of FY12. We will accept that they secure a maximum 60-hour total work week by the end of FY12 as a step-wise approach to achieving the legal limit of 40 working hours per week plus a maximum of 36 overtime hours per month and three per day. Also, local legislation restricts our suppliers from being fully compliant with the IKEA requirement on freedom of association in China and Vietnam. For this reason we register this point as not applicable on our audit reports in those countries.

KPI – SUPPLIERS: Home furnishing suppliers

	FY08	FY09	FY10	FY11	Goal FY12
IWAY approved home furnishing suppliers, %					
Europe	80	79	89	90	100
Americas	91	83	85	94	100
Asia, total	21	22	26	41	100
China	7	7	7	11 (30*)	100*
South Asia	34	41	62	65	100
South East Asia	63	65	68	65	100
All regions	**54**	**52**	**57**	**60 (67*)**	**100**

*Approved with maximum 60-hour working week.

Other figures

	FY08	FY09	FY10	FY11
Number of Trading IWAY audits /of which were unannounced				
Europe	480/21	375/70	365/29	341/144
Americas	31/0	29/2	29/1	26/12
Asia	693/359	646/451	645/501	626/555
Total	**1,204/380**	**1,049/523**	**1,039/531**	**993/711**
Number of IKEA CMG calibration audits				
Europe	20	19	21	24
Americas	2	2	2	3
Asia	24	22	32	25
Total	**46**	**43**	**55**	**52**

	FY08	FY09	FY10	FY11
Number of third party audits /of which were unannounced				
Europe	17/16	15/15	12/12	12/12
Americas	0	0	0	3/3
Asia	29/15	30/30	35/35	32/32
Total	**46/31**	**45/45**	**47/47**	**47/47**
Terminated business, number of suppliers				
Due to IWAY non-compliance only	20	10	10	8
Due to non-compliance and other reasons	28	43	17	11
Number of third party child labour audits				
Total	435	365	365	370

Purchasing per region, %

63% Europe

33% Asia

4% North America

Average IWAY fulfilment rates

99% Europe

99% Americas

95% Asia

98% All regions

Extending the code of conduct IWAY to the wider range of IKEA suppliers

Read more in "The IKEA approach to sustainability"

In addition to IKEA home furnishing suppliers, we depend on thousands of suppliers to support IKEA operations around the world.

When our supplier code of conduct, IWAY, was first introduced, the main focus was on home furnishing suppliers. Over the past few years, IKEA has gradually increased its efforts to also support developments within the vast range of other suppliers and service providers.

DID YOU KNOW

- Our transport service providers are key to ensuring efficient and sustainable shipments from suppliers to IKEA distribution centres and stores.
- IKEA sources packaged food from 44 suppliers to sell in the Swedish Food Market in our stores. Food ingredients used in the IKEA store restaurants are produced by more than 1,000 suppliers, globally and nationally.
- The IKEA Catalogue 2011 was produced by 38 paper and print suppliers. It was printed in more than 208 million copies in 31 languages and is read by more than 400 million people in 40 countries.
- IKEA has around 40,000 global, national and local suppliers of indirect materials and services, providing everything from cleaning to software and store equipment.

Improved IWAY approval rate for central customer delivery carriers

In FY10, IWAY was introduced at centrally procured customer delivery carriers transporting goods from IKEA customer distribution centres directly to customers with the ambition to reach full compliance in FY12. The approval rate in this category improved substantially from 21 percent in FY10 to 53 percent in FY11, and we will continue to put high focus on central customer delivery carriers.

However, it is unrealistic to believe we can reach full compliance within a year. The current goal is that 75 percent of these carriers, based on the total IKEA expenditure, comply with all IWAY requirements in FY12.

IWAY approval rates for land and ocean carriers remain stable, and we continue to be committed to our goal of reaching full compliance in these categories by the end of FY12.

IWAY audits to be conducted at national food suppliers

Suppliers of food for our global range have shown a high level of compliance with our social and environmental requirements since IWAY audits were first introduced in this supplier category three years ago, and IKEA expects to reach full compliance by the end of FY12.

In FY10, we took the first step towards implementing the IKEA supplier code of conduct at more than 1,000 national food suppliers. The first IWAY audits will be conducted during 2012.

Mixed results from the first audits at IKEA Catalogue suppliers

The first systematic sustainability audits of IKEA Catalogue paper and print suppliers were conducted in FY11. Five suppliers on two continents were selected, based on volume, for announced audits and assessment of previous evaluations of their performance.

Audit results confirm that our large, established Catalogue suppliers generally have well-developed routines and environmental management systems, but only one supplier was fully compliant with our requirements at the time of audit. The other four have now implemented correction plans and are fully compliant.

Implementing IWAY at suppliers of indirect materials and services

IKEA has a dedicated purchasing function for indirect materials and services that are not used for IKEA products – such as IT systems support and cleaning services. IKEA Indirect Material & Services (IKEA IMS) works with around 750 key suppliers and provides support to the IKEA units that handle decentralised purchases made from many thousands of national and local suppliers.

We have taken a stepped approach to implementing IWAY in this category due to the large number of suppliers and their diverse characteristics. Audits are based on risk assessment and focus mainly on companies that are unlikely to have their own well-functioning code of conducts and that operate in areas where challenges related to working conditions or the environment are common, or whose products are sensitive from a health and safety perspective.

Since the start of implementation in 2007, 133 IWAY audits have been conducted at suppliers managed centrally by IKEA IMS, including several unannounced third-party audits. Audited suppliers that are currently contracted by IKEA have an average fulfilment rate of 94 percent.

In FY12, all IKEA retail countries will start to implement IWAY at national and local providers of cleaning, waste management and security services used in IKEA stores and distribution centres. Local auditors are now being trained, and the first audits will be conducted in the beginning of 2012.

Comments on KPIs and figures 2011

The share of IWAY approved Land and Ocean carriers remained steady in FY11, and IKEA expects to reach full compliance by the end of FY12.

During the past year, much focus was placed on increased compliance among the centrally procured Customer Delivery carriers. The share of fully compliant carriers jumped to 53 percent land and we believe it is realistic to increase this share to 75 percent over the next year.

KPI – SUPPLIERS: Transport service providers

	FY08	FY09	FY10	FY11	Goal FY12
IWAY approved transport service providers*, %					
Land	48.0	81.7	83	82	100
Ocean	38.0	41.8	96	95	100
Customer Delivery**	–	–	21	53	75

* Approval rates are calculated on the total IKEA expenditure in each category, and carriers are rated as approved only if they fulfil both IWAY and industry specific requirements.

** Excludes locally and nationally procured Customer Delivery carriers.

Modes of transport (% goods volume)

74%	16%	2%	8%
Road	Ocean	Rail	Intermodal transport

Suppliers:
Food suppliers

Comments on KPIs and figures 2011

All global food suppliers are now IWAY approved. IKEA expect to introduce audits also at the many national food suppliers in FY12, with the aim to reach full compliance by the end of FY15.

KPI – SUPPLIERS: Food suppliers

	FY08	FY09	FY10	FY11	Goal FY15
IWAY approved food suppliers, %					
Global food suppliers	13	41	67	100	100
National food suppliers	–	–	–	–	100
Average IWAY fulfilment rate global suppliers			>90	100	

Suppliers:
IMS suppliers

Comments on KPIs and figures 2011

The share of IWAY approved suppliers of indirect materials and services increased in FY11. Available figures are based on a limited number of audited suppliers, selected based on risk assessment.

Other figures table

	FY08	FY09	FY10	FY11
IWAY approved IKEA Indirect Material & Services suppliers, %				
Indirekt Materials & Services suppliers*	–	–	20	27
Average IWAY fulfilment rate*	–	–	91	94

* Figures based on a limited number of audited suppliers, selected based on risk assessments.

Suppliers:
Catalogue suppliers

Comments on KPIs and figures 2011

The IKEA Catalogue 2012 (produced in FY11) involved a total of 38 paper and print suppliers. Approval rates reflect the share of suppliers that comply with all the sustainability requirements according to self-assessments. Five Catalogue suppliers have been audited so far.

Environmental data has been provided by all suppliers. The goal to have 30 percent FSC-certified virgin fibre used in the Catalogue was reached in FY11, while the share of recycled paper decreased for quality and availability reasons.

Emissions of volatile organic compounds (VOC) increased somewhat while CO_2 emissions continued to decrease. For the first time ever, all paper suppliers are certified against ISO14001.

Other figures	FY08	FY09	FY10	FY11
IKEA Catalogue Requirements approved suppliers, %				
IKEA Catalogue Sustainability Requirements, approved suppliers	71	73	86	90
Industry-specific requirements, approved suppliers	53	50	65	72

Other figures	FY08	FY09	FY10	FY11
Environmental key performance indicators, Catalogue totals				
Printed number of Catalogues (millions)	198	198	197	208
ISO 14001 certified paper suppliers (%)	61	94	89	100
Catalogue paper (tonnes)	113,099	103,784	102,476	108,450
FSC Certified Chain-of-Custody fibre (%)	5.0	19.0	21.0	30.0
Recycled fibre content (%)	6.0	6.0	11.0	3.6
Share of renewable energy (%)	40	51	50	48
Environmental data per Catalogue copy				
Water consumption (litres)	17.92	14.96	14.26	13.55
Energy consumption (kWh)	3.11	3.04	2.96	2.72
Fossil carbon dioxide (kg CO_2)	0.69	0.61	0.49	0.43
Emissions to air (gr VOC, volatile organic compounds)	1.01	0.75	1.12	1.15
Emissions to wastewater (gr COD, Chemical Oxygen Demand)	3.88	3.83	3.49	3.47

59/40

Share of men/women in management positions.

~~60/39~~

Co-workers

IKEA co-workers are our most valuable resource

Read more in "The IKEA approach to sustainability"

IKEA co-workers are essential to our success. We want to be an attractive and competitive employer that offers equal treatment and opportunities for a fulfilling career in a safe and healthy environment. We give down-to-earth, straightforward people the opportunity to grow with us, both professionally and personally.

A strong and living culture encourages co-workers to question accepted solutions and test new ideas, and to see mistakes as an opportunity to learn. Shared values such as respect, simplicity and cost-consciousness help us all develop together and contribute to a better everyday life for ourselves and our customers.

DID YOU KNOW

- There are 131,000 IKEA co-workers in 41 countries around the world. We strive for diversity and recruit co-workers of different backgrounds and experiences.
- We continuously monitor how IKEA co-workers perceive working at IKEA through a company-wide survey called "VOICE". As a complement, the "IKEA Leadership Index" quantifies how co-workers view their managers.
- IKEA embraces universal human rights and respect for the individual. We support every co-worker's right to freedom of association and respect their right to join, form or not to join a co-worker association of their choice – the decision lies with the co-worker.

New global guidelines for compensation and benefits

IKEA wants to be the employer of choice, and aims to offer compensation and benefits that ensure that we attract, motivate and retain co-workers that contribute to our ambition to become the leader in life at home and grow with sustained long-term profitability. In FY11, a set of key principles for compensation and benefits were developed for all of IKEA, along with detailed guidelines outlining areas such as salaries, job satisfaction and a healthy working environment. The principles will be implemented on all IKEA markets.

Updated VOICE survey shows significant improvements

An updated VOICE co-worker survey was introduced in February 2011, and so far 33,500 co-workers in 13 retail countries have completed the new survey.

The new VOICE survey has been updated to reflect our five-year strategy, "Growing IKEA together". It also contains more and refined questions relating to how co-workers rate IKEA managers' leadership capabilities, which is translated into the Leadership Index, and has a strong focus on IKEA values.

Since many VOICE questions have been altered and only a minority of co-workers have used the new version of the survey this year, the FY11 global average index result of 716 is not fully comparable with previous years. However, we can see that results have improved. For example, questions relating to co-worker engagement have not been altered, and the share of positive replies increased from 58 percent in FY10 to 63 percent.

The FY15 goal of a global average index figure of 700 out of a maximum possible 1,000 remains unchanged, while national and local goals may be higher.

Comments on KPIs and figures 2011

During the year we re-designed our co-worker survey VOICE in order to make it more aligned with our long-term business directive, to make it simpler and at the same keep the strong focus on the IKEA values. This means that the index figure for FY11 is not fully comparable with previous years. With global goals as a base, national and local improvement targets are developed from local survey results and the priorities that are the most important for that particular organisation.

There are more women than men working on the IKEA sales floors, and while the share of women is slowly increasing in some management categories, the goal to reach full gender balance is still a challenge. When the percentage of male/female managers does not add up to 100, it is due to vacancies.

Co-workers by region

106,500
Europe

16,500
North America

8,000
Asia & Australia

KPI – CO-WORKERS: VOICE

	FY08	FY09	FY10	FY11	Goal FY15
VOICE and Leadership index (IKEA total)					
Overall VOICE index	646	663	659	716	700
Leadership Index	72	73	73	74	75

KPI – CO-WORKERS: Male/female management

	FY08	FY09	FY10	FY11	Goal FY15
Management – share of male/female					
Stores	64/36	65/34	60/38	58/42	50/50
Retail management	64/36	60/39	58/42	59/39	50/50
Distribution	67/33	69/31	58/40	57/43	50/50
Trading	64/36	65/35	61/39	59/41	50/50
Others	74/26	68/32	62/38	63/37	50/50
TOTAL management	–	–	60/39	59/40	50/50

Other figures

	FY08	FY09	FY10	FY11
Staff turnover				
Part-time	32	22.4	20.5	22.3
Full-time	16	11.9	10.6	11.5
All	24	16.4	14.8	16.1

65MEUR
Donation to charity partners by the IKEA Foundation.
45 MEUR
Communities

Reaching out to developing countries and the local community

Read more in "The IKEA approach to sustainability"

IKEA believes that home is the most important place in the world, and children are the most important people in the world. The IKEA Foundation aims to improve opportunities for children and youth in developing countries by funding holistic, long-term programmes that can create substantial, lasting change.

We also want to be a good neighbour in our local communities. This means that stores and other IKEA units engage in local social and environmental issues, and lend a helping hand in times of need.

DID YOU KNOW

- The IKEA Foundation is a registered Dutch charity foundation. It aims to improve the opportunities for children and youth in developing countries by funding holistic, long-term programmes that can create substantial, lasting change, and enable them to take charge of their own future. Total donations reached 65 million euro in 2011, and currently funded programmes benefit an estimated 100 million children.
- Emergency relief in developing countries is funded and organised by the IKEA Foundation, while IKEA retail countries manage emergency support when needed in their countries and local communities.
- IKEA stores are actively involved in their local communities in partnership with carefully selected organisations such as WWF, Save the Children and UNICEF. Examples of national and local activities can be found on national IKEA websites.

Expanded scope for UNDP project to empower women in India

The IKEA Foundation has increased funding and support for a women's empowerment project run by the United Nations Development Programme (UNDP) in India since 2009. Initially aimed at reaching 50,000 women in 500 villages in Uttar Pradesh, the programme is now expected to reach 2.2 million women and their families in 16,300 rural villages in Gujarat, Maharashtra, Rajasthan and Uttar Pradesh by the end of FY15. Funding has increased from 5.5 million euro to 30 million.

The programme initiates a variety of community activities to empower village women socially, economically and politically, so that they can create a better future for themselves, their communities and their children.

In 2005, only five women stood for local self-governance elections in the project villages in Uttar Pradesh. In 2010, 764 stood for election and 278 elected women representatives are now bringing change to their communities.

For the first time in this region, 35,000 women have been organised and trained to establish and manage their own equity shareholding companies.

Major donation to support relief efforts in the Horn of Africa

Drought in the Horn of Africa, coupled with conflicts in Somalia, has affected more than 13 million people in five African countries, forcing 250,000 children into refugee camps in the Dadaab region.

This is why the IKEA Foundation committed 43.4 million euro to the United Nations High Commission for Refugees (UNHCR) in 2011 – the largest corporate donation the UNHCR has ever received. The donation benefits about 120,000 refugee families in Dadaab Kambioos refugee camp in Kenya that have fled from drought, famine and conflict. It also funds a three-year partnership aimed at creating and implementing innovative new ways to provide refugees with temporary accommodation, life skills and economic empowerment.

In addition, the IKEA Foundation has donated one million euro to support UNICEF efforts to provide immediate therapeutic and supplementary foods to 130,000 critically malnourished children in Somalia.

Product donations benefit Libyan refugees in Tunisia

The conflict in Libya has resulted in several hundred thousand people fleeing their homes to bordering countries. To alleviate the situation in refugee camps, the IKEA Foundation donated 50,000 IKEA mattresses, 50,000 quilt covers and 50,000 quilts to UNHCR in Tunisia.

Read more about the IKEA Foundation at www.ikeafoundation.org

The donated products filled 28 containers transported by sea and land, while UPS donated the airlift of 10,000 mattresses to save essential time.

IKEA Japan supports earthquake victims
The earthquake off the Pacific coast of Tohoku and the subsequent tsunami devastated large areas in Eastern Japan in March 2011, killing thousands of people and leaving around 125,000 buildings damaged or destroyed.

IKEA Japan provided immediate relief in the form of water and food as well as IKEA products such as blankets and soft toys, and later donated home furnishings for some 7,000 temporary houses. We also donated start-up sets containing a wide range of products needed to set up a new home, including furniture, kitchen utensils and bathroom products.

IKEA has also opened up a 1,500 square metre mini-store in Sendai to bring affordable home furnishings to the people of Tohoku and help restart economic activity in the region by generating local employment.

IKEA China helps children affected by earthquake
IKEA China supports Save the Children relief efforts in villages in poor and remote parts of the Qinghai province following the earthquake in April 2010.

IKEA China funds a three-year project run by Save the Children to improve the accessibility and quality of primary education for 24,000 children in the Yushu and Chengduo counties. In addition, a children's centre run by Save the Children to provide children with psycho-social support through group activities has been equipped with materials donated by IKEA.

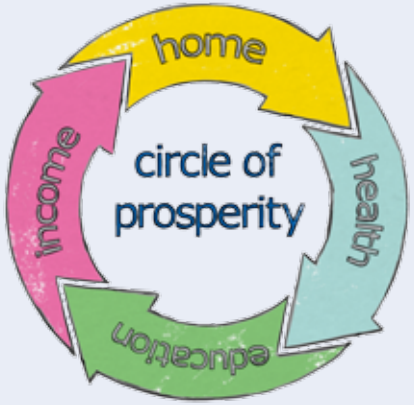
New research centre opened to support Sow a Seed in Borneo
IKEA supports the Sow a Seed foundation, which aims to reforest and maintain 18,500 hectares of lowland forest in Sabah in Malaysian Borneo, and to protect the area from logging for a period of 50 years.

The project has contributed to funding of research facilities in Sabah, the Maliau Basin Study Centre, to enable scientists and researchers to study the rainforest's biodiversity and ecosystem.

The Sow a Seed foundation is a partnership between IKEA, the Swedish University of Agricultural Sciences, the Yayasan Sabah Group and the Malaysian forestry company, RbJ. Since the start in 1998, more than 10,000 hectares of forest have been replanted with native tree species, and the area remains protected. Planting is expected to be completed in 2013, and funds have been set aside for maintenance until 2023.

The IKEA Foundation

The IKEA Foundation works in four dimensions to turn the cycle of poverty into a cycle of prosperity:

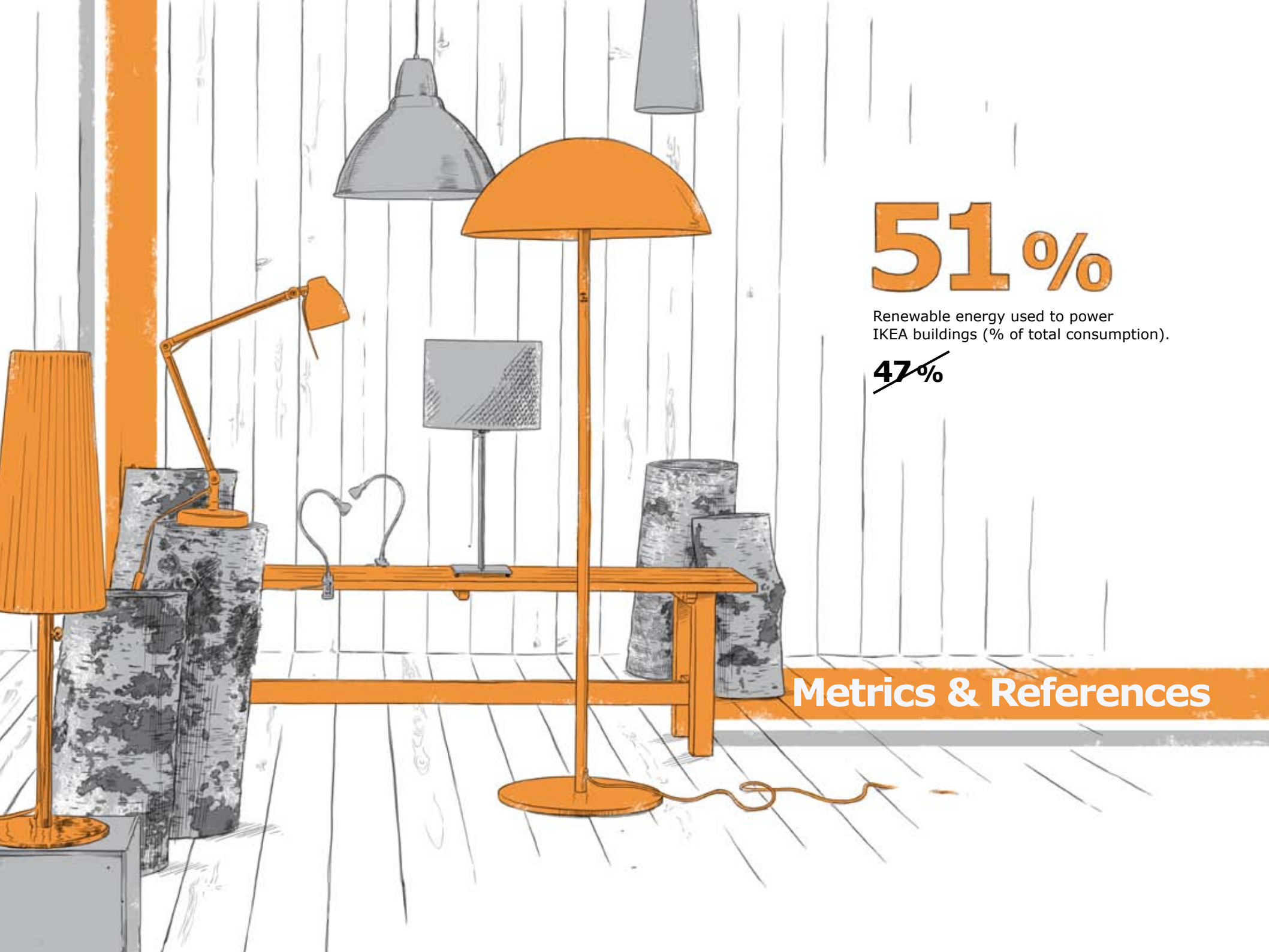


A place to call home – Where a better life begins. Shelter and safety, along with love and nutrition, all nurture children so they can not only survive, but thrive.

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

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

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



51%

Renewable energy used to power IKEA buildings (% of total consumption).

~~47%~~

Metrics & References

Measuring progress with Key Performance Indicators (KPIs)

Customers

KPI – CUSTOMERS: More sustainable products

	FY11	Goal FY15
IKEA home furnishing products classified as more sustainable*, % sales value	2	90
Renewable, recyclable, recycled materials %	88	100
Improved efficiency, %		
Improved efficiency of energy consuming products (compared to the average installed on the market 2008)	31	50
Improved efficiency water consuming products (compared to the average installed on the market 2008)	n/a	50

*According to criteria in the IKEA Sustainability Product Score Card

Environment

KPI – ENVIRONMENT: Renewable energy

	FY08	FY09	FY10	FY11	Direction
Renewable energy IKEA buildings, % total consumption					
Stores	37	38	34	40	100
Distribution	37	41	34	39	100
Swedwood	60	63	59	61	100
Swedspan	–	–	62	62	100
Total	**47**	**50**	**47**	**51**	100

KPI – ENVIRONMENT: Energy efficiency

	FY08	FY09	FY10	FY11	Direction
Improved energy efficiency, % compared to 2005, kWh/m³ sold goods					
Stores	7	5	7	10	25
Distribution	21	21	22	33	25
Swedwood	28	23	32	36	25
Swedspan	–	–	–	–5*	25

*Compared to FY10, which was Swedspan's first year of operations.

KPI – ENVIRONMENT: Transport of products

	FY08	FY09	FY10	FY11	Goal FY16
CO_2 emissions reduction per cubic metre transported goods (% change compared to FY10)					
Compared to FY10	–	–	–	–4.9	–20

KPI – ENVIRONMENT: Transport of products

	FY08	FY09	FY10	FY11	Goal
Filling rate, %					
Inbound (supplier to warehouse)	62	63	64	63	70
Outbound (warehouse to store)	58	60	60	61	70
Direct (supplier to store)	57	60	62	63	70

KPI – ENVIRONMENT: Forestry

	FY08	FY09	FY10	FY11	Goal FY12
Responsible forest management, %					
Wood[1] used in IKEA products coming from preferred sources, % total	-	-	15.8[2]	16.2[2]	FY17: 50%[3]
Wood[1] used in IKEA products coming from preferred sources, m³	-	-	1,988,110[2]	2,230,625[2]	10,000,000[3]
Solid wood used in IKEA products coming from preferred sources[2], % total	7%	16%	23.6%	22.9	FY12: 35%
Audited wood volumes that comply with IKEA minimum forestry requirements, %	80%	92%	97%	94%	

[1]Includes solid wood and board materials. [2]FSC certified. [3]FSC certified or recycled.

KPI – ENVIRONMENT: Cotton

	FY08	FY09	FY10	FY11	Goal FY15
Share of more sustainable cotton used in IKEA products, %	–	6.2	13.4	23.8	100

KPI – ENVIRONMENT: Waste

	FY08	FY09	FY10	FY11	Goal FY15
Waste recycled or used in energy production, %					
Stores	85	86	84	86	100
Distribution	90	90	91	90	100
Swedwood	72	74	95	98	100
Swedspan	–	–	86	64	100

Suppliers

KPI – SUPPLIERS: Home furnishing suppliers

	FY08	FY09	FY10	FY11	Goal FY12
IWAY approved home furnishing suppliers, %					
Europe	80	79	89	90	100
Americas	91	83	85	94	100
Asia, total	21	22	26	41	100
China	7	7	7	11 (30*)	100*
South Asia	34	41	62	65	100
South East Asia	63	65	68	65	100
All regions	**54**	**52**	**57**	**60 (67*)**	**100**

*Approved with maximum 60-hour working week.

KPI – SUPPLIERS: Transport service providers

	FY08	FY09	FY10	FY11	Goal FY12
IWAY approved transport service providers*, %					
Land	48.0	81.7	83	82	100
Ocean	38.0	41.8	96	95	100
Customer Delivery**	–	–	21	53	75

* Approval rates are calculated on the total IKEA expenditure in each category, and carriers are rated as approved only if they fulfil both IWAY and industry specific requirements.

** Excludes locally and nationally procured Customer Delivery carriers.

KPI – SUPPLIERS: Food suppliers

	FY08	FY09	FY10	FY11	Goal FY15
IWAY approved food suppliers, %					
Global food suppliers	13	41	67	100	100
National food suppliers	–	–	–	–	100
Average IWAY fulfilment rate global suppliers			>90	100	

Co-workers

KPI – CO-WORKERS: VOICE

	FY08	FY09	FY10	FY11	Goal FY15
VOICE and Leadership index (IKEA total)					
Overall VOICE index	646	663	659	716	700
Leadership Index	72	73	73	74	75

KPI – CO-WORKERS: Male/female management

	FY08	FY09	FY10	FY11	Goal FY15
Management – share of male/female					
Stores	64/36	65/34	60/38	58/42	50/50
Retail management	64/36	60/39	58/42	59/39	50/50
Distribution	67/33	69/31	58/40	57/43	50/50
Trading	64/36	65/35	61/39	59/41	50/50
Others	74/26	68/32	62/38	63/37	50/50
TOTAL management	–	–	60/39	59/40	50/50

Communication on UN Global Compact progress

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

The table indicates where progress related to the respective principles can be found in the IKEA Sustainability Report 2011 and the report supplement The IKEA Group approach to sustainability – How we manage sustainability in our business.

Cross-reference table (Global Compact)

	Page IKEA SR	IKEA Approach
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	9–11, 35–41	12–19
Principle 2: make sure that they are not complicit in human rights abuses.	9–11, 35–41	12–19
Labour Standards		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	35–41	13, 15, 17–18
Principle 4: the elimination of all forms of forced and compulsory labour;	35–41	13–15
Principle 5: the effective abolition of child labour; and	34–41, 46–47	13–15
Principle 6: the elimination of discrimination in respect of employment and occupation.	36, 43–44	13–15, 17–18
Environment		
Principle 7: Businesses should support a precautionary approach to environmental challenges;	20–33	4–12
Principle 8: undertake initiatives to promote greater environmental responsibility; and	20–33	4–12
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	13–15, 20–25, 31–33	4–8
Anti-corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	11	15

IKEA SR = IKEA Sustainability Report 2011

IKEA Approach = The IKEA Group approach to sustainability

IKEA®