# Flat packs in a sustainable direction

## Benefits and disadvantages to IKEA's tailor-made environmental management system

**Master of Science Thesis in the Master Degree Programme of Civil Engineering**

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# Foreword

First of all we would like to thank Thomas Bergmark at IKEA Social & Environmental Affairs for giving us the opportunity to write this report and also for patiently answering all of our questions along the way. The warm reception we got from all the IKEA Group co-workers we have met in Helsingborg has also thrived us to do our very best. Thanks to all of the helpful and interested co-workers we have been in contact with within the whole IKEA Group!

Special thank to Anders Ekberg CEO at Fälth-Hässler, who not only gave us a valuable interview but also a wonderful day at Bokmässan in Gothenburgh.

For giving us information about ISO 14001 and EMAS, we would like to thank Sven-Olof Ryding at Miljöstyrningsrådet, Karin Sivertsson at KPMG and Mats Lomander at DNV.

We also would like to thank the persons who have read our report and come up with suggestions to improvements, Martin Johansson, Andreas Stöllman, Henrik Bergström, Carl Maechel and our examiner Henrikke Baumann.

And, finally, a big, warm thank you to our supervisor Emma Rex, who has read our report more times than anyone else and has helped us find new angles and kept us on track in moments of drifting. We appreciate your commitment to our report and your many valuable advices.

## Summary

The overall aim for this thesis is to evaluate IKEA's environmental management system (EMS) by comparing it with the international standards ISO 14001 and EMAS. By doing this, we aim to find out if IKEA fulfils the requirements of the standards and give recommendations on how to fill possible gaps. Areas where IKEA goes further than the standards are also identified. The report also discusses benefits and disadvantages for IKEA when using an EMS developed in-house instead of a standardized management system.

To gain an overview of IKEA's EMS, a field study has been carried out by research into the company's internal and external documents and reports and interviews with people within IKEA or in connection to the company. To learn about the state of environmental management today and the two standards, information has been collected from books, reports, homepages, articles and surveys on the topic, and also from interviews with people working with standards or environmental management in one way or another. Theories that present the benefits and disadvantages with both standardized and tailor-made EMSs have been collected from books, reports and interviews with persons connected to the standards and the business world.

One of our conclusions is that IKEA's EMS meets most of the requirements in ISO 14001 and EMAS today, e.g. on identification of environmental aspects and the setting up and following up of environmental action plans, but it lacks with regard to documentation and the contents of the environmental policy. These gaps could probably quite easily be filled, but in spite of the shortcomings our overall conclusion is that IKEA's choice to not use a standardized EMS gives them more benefits than disadvantages. E.g. IKEA's EMS integrates social, economic and environmental issues and promotes sustainable development and continuous improvement, while the standards do little to promote these aspects. The areas in which IKEA might loose are where the benefits of ISO 14001 and EMAS can be seen, mainly concerning communication and relationships with stakeholders. Our recommendation, though, is that they can find alternative ways to solve this problem by developing an effective and reassuring communication instead of implementing ISO 14001 or EMAS.

In addition to these conclusions we also believe that there will be new challenges to IKEA's EMS in the future, as the company expands and increases their production. The environmental aspects due to e.g. longer transports and increasing use of resources will have to be dealt with in new and innovative ways for IKEA to stay proactive when it comes to environmental and social issues.

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# 1 Introduction

Today we are clearly seeing the impact human activity is having on our planet. E.g. climate change is now a well-known fact, and environmental aspects such as energy use, hazardous substances and material use are something that desperately need to be managed. Globalization is also affecting the world in a big way, especially when it comes to aspects such as child labour and working conditions. To companies around the world this development has implications on several levels. The everyday people are becoming more aware of the impact their daily decisions and actions have, e.g. at work or out shopping, and authorities are also applying more pressure. They, along with business partners and other stakeholders, look to companies to take environmental and social responsibility. Customers use different eco-labels or environmental standard certifications as guiding factors in their daily decisions. What it means for companies around the world is that they more or less have to address their environmental and social issues to be able to survive.

IKEA is a big retailing company that operates on a global market and is therefore influenced by several stakeholders and has many social and environmental aspects to consider. They have since long seen the power of the customer, especially in connection to public events. Media exposures of social or environmental scandals, such as child labour or the use of hazardous chemicals, have had massive implications on their reputation and sales. Today, IKEA puts social and environmental issues high on their agenda and takes pride in working with social and environmental management in their own way, as they generally chose to do things. Their unique way of managing their business has its roots in the founder Ingvar Kamprad's vision of bringing products to the many people, and he has been able to keep core company values alive for more than half a century. He also has protected his company from outer influences such as investors and shareholders, but at the same time societal changes and new developments has been kept as important sources for inspiration. IKEA's work with social and environmental management has therefore been seen as a possibility and challenge. They have over time chosen to develop their own social and environmental management system (EMS will be used further on in the report), in spite of the rise in popularity for standardized EMSs, especially the ISO 14001 and EMAS.

In this report we want to find out whether or not it's a wise decision. IKEA wants to know how well their own EMS matches the standardized EMSs. The background to this is mainly the questions IKEA gets, based on the growing awareness in environmental issues among customers and business partners. In addition to comparing IKEA's EMS to the standards, we also want to know if it's a strategic benefit to use their own system.

## 1.1 Aim

This final thesis aims to answer the following questions:

- Are there any gaps where IKEA is not fulfilling the requirements of ISO 14001 and EMAS? Do they cover areas that are not included in the standards?
- What benefits and disadvantages can be found for IKEA, from a strategic point of view, by having a tailored EMS as opposed to using a standard?

The study also aims to deliver recommendations to IKEA on how to fill the possible gaps between their EMS and the requirements of ISO 14001 and EMAS.

## 1.2 Method and material

We decided to make two different analyses to find the answers to these questions. Analysis 1 compares IKEA's EMS to the requirements of ISO 14001 and EMAS, and analysis 2 examines what IKEA benefit or loose by not certifying or registering to ISO 14001 or EMAS. Recommendations to IKEA build on the conclusions that were drawn from these two analyses.

Analysis 1 builds on research into IKEA's EMS and the requirements of ISO 14001 and EMAS. The method we chose for this analysis is a point-by-point comparison. Analysis 2 builds on a framework set by different theories on the subject of standardized EMSs, in particular ISO 14001 and EMAS, and environmental management in general. The theories were collected from literature, surveys and personal communication.

The information we needed for the study was mainly within three areas. First of all we had to obtain an overview of IKEA's EMS and then learn about EMSs and standardized EMSs, in particular ISO 14001 and EMAS. We also needed to learn about environmental management in general.

To get an overview of IKEA's EMS, we carried out a field study that was based on:

- IKEA Group documents and reports, e.g. social and environmental strategies, code of conduct documents and annual environmental reports, which were retrieved mainly from the IKEA Inside intranet at the IKEA Services office in Helsingborg.
- Interviews and discussions with different IKEA Group co-workers and co-operators, both active and retired. They were: Thomas Bergmark (Manager Social & Environmental Affairs, IKEA Group), Greg Priest (Compliance Specialist at the IKEA Group unit CMG), Nicole Schneider (Environmental Manager, IKEA Retail), Russel Johnsson (the IKEA Group's first Environmental Manager, now retired) Johan Larsson (national Environmental Co-ordinator for IKEA Group, Sweden), Marianne Barner (Communication Manager and Children's Ombudsman, IKEA Group), and Anders Ekberg (CEO at the IKEA supplier Fälth & Hässler).
- Different articles and reports, from the media and science world, covering IKEA and IKEA's EMS.
- A general information day, aimed towards students writing final thesis's for IKEA, at IKEA of Sweden in Älmhult.
- The seminar "Changed climate - changed business models" hosted by BLICC (Business Leaders Initiative on Climate Change) in connection to the "Sustainable Innovation Conference" held by Natlikan Sustainability at Svenska Mässan in Göteborg. IKEA Retail participated in the seminar.

To learn about ISO 14001 and EMAS, as well as EMSs in general, we have:

- Collected information from books, reports, surveys, articles and home pages, e.g. the homepages of ISO and EMAS, the requirement handbooks, media articles covering the standards. We looked at two studies in particular: A survey on ISO 14001, made by Jost Hamschmidt and Thomas Dyllick (University of St Gallen, Switzerland), which covered more than 150 ISO 14001 certified companies in Switzerland. It focused on the ecological and economic effectiveness of EMSs. The survey was made in 2001 but we deemed the analysis and discussion to still be relevant. The other study highlighted what is currently being done to EMAS. Fabio Iraldo, IEFE Bocconi (Institute for Environment and Energy Economics and Policy, Bocconi University – Milan) has analysed the relevance and efficiency of EMAS and his study will be used in developing the new version of EMAS, which will be introduced in 2009.
- Interviewed knowledgeable persons, e.g. within the standard organizations or at auditing companies. They were Sven-Olof Ryding (CEO at Miljöstyrningsrådet), Karin Sivertsson (manager of KPMG Sustainability Services) and Mats Lomander (Area Sales Manager, DNV Certification).

To learn about the different aspects to environmental management we have:

- Studied reports, articles and books on the topic
- Attended the "Sustainable Innovation Conference" held by Natlikan Sustainability at Svenska Mässan in Gothenburg
- Attended seminars at the department of Environmental Systems Analysis at Chalmers, as well as disputations
- Discussed the topic in interviews with our interviewees.

## 1.3 Scope and limitations

The project has only involved the ISO 14001 and EMAS standards, since they are the most common standards used by multinational companies today. The geographical boundaries have been global, since both the IKEA Group and the standards are global. Throughout the project a strategic perspective has been used for the analysis as opposed to e.g. an economic, product, environmental or market perspective.

When describing and analyzing IKEA's EMS we have only looked at the work that is being done within the IKEA Group. The other parts of the IKEA organization, e.g. Inter IKEA Systems, are not included.

When analysing IKEA's EMS we could have used different evaluation grounds, e.g. the environmental performance described by numbers (Key Performance Indicators etc). We have chosen to evaluate it on the basis of different environmental management theories as well as opinions from our interviewees, because of our strategic perspective.

## 1.4 Guide for readers

The report will start by describing environmental management and EMSs (including ISO 14001 and EMAS) and then go on to present the framework for analysis. The IKEA context will then be described followed by a presentation of IKEA's EMS. To be able to compare ISO 14001 and EMAS' requirements with IKEA's EMS we have to go through the whole structure of IKEA's EMS, down to the smallest social and environmental actions. This means that this chapter is very extensive, and takes up the larger part of the final thesis. To give a clearer connection to the common structure of EMSs as well as for the standards used in the comparison, IKEA's EMS is presented around the common basic elements of plan, do, check and act. Our two analyses will then follow with separate conclusions and recommendations. Finally, an overall discussion and reflections will sum up the report. We also attach appendixes, which can be of help to the reader, namely the terms and definitions of ISO 14001 and EMAS, and a list of abbreviations.

# 2 About environmental management

Environmental management is a fairly new concept, about three decades old, and it has been around as long as there has been a global awareness in environmental problems and their link to the business world. It is defined as the way in which companies strategically deal with their environmental aspects (Kolk 2000), such as pollution etc. Environmental work has often been seen as something negative, but by strategic acting, with support from well-planned environmental work and involved personnel, the top management has the possibility to lead the company towards a prominent future position (Ammenberg 2004).

## 2.1 Environmental management systems

To become successful, a company must be able to handle stakeholder demands and requests. Stakeholders have for a long time focused on prize, time of delivery and quality, which has led to a certain way of running a company. Since the beginning of the '90s stakeholder perspective also include environmental and social issues. This has meant that companies have needed to adjust their organization to be able to work more structured with these kinds of questions and management systems are a common way of doing it (Ammenberg 2004).

An EMS is a part of the overall management system that an organization sets up for the organization's overall aims and principles of action with respect to the environment (Kolk 2000). The EMS is often constructed to harmonize with a quality management system since it is built on the same model, the so called Deming cycle, which consists of the four phases plan, do, check and act, further described in figure 1 (Kolk 2000).

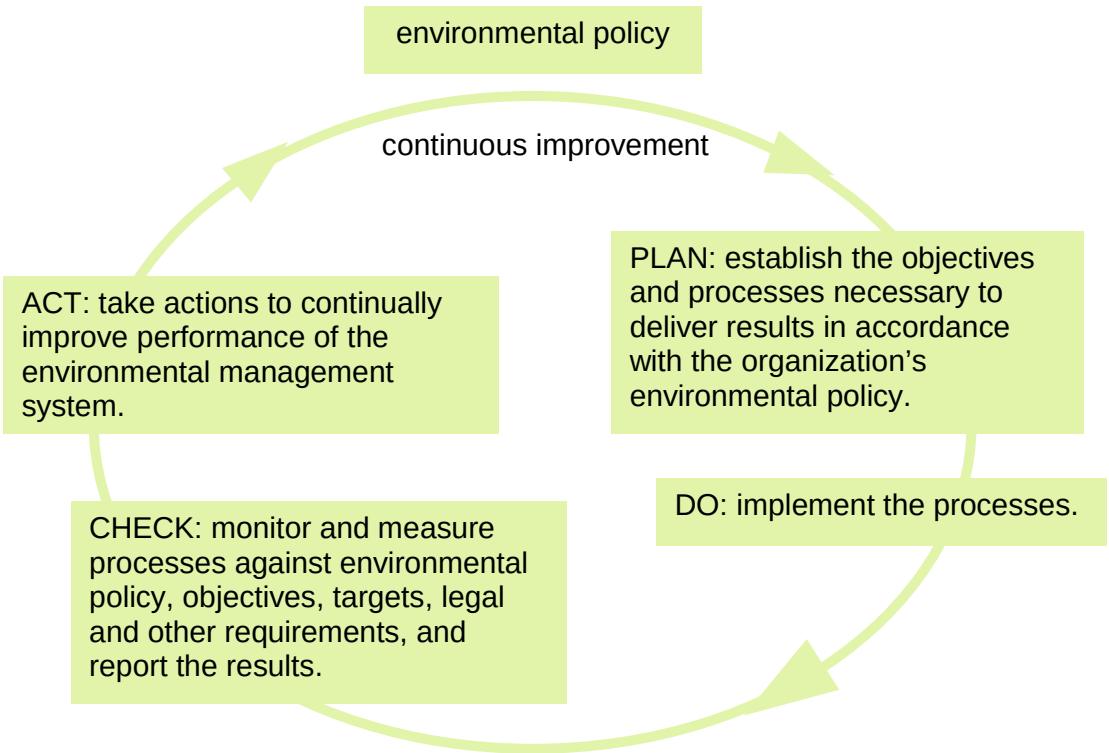



Figure 1: The Deming cycle shows the usual phases of an EMS: plan, do, check and act (Kolk 2000).

For an EMS that uses the model, the different phases consist of (Kolk 2000):

- Identifying environmental impacts and legal requirements and developing a plan for management and improvement (plan)
- Implementing the plan (do)
- Monitoring the performance (check)

- Making corrections, if necessary (act)

This type of model is supposed to encourage continuous improvement in an organization's environmental work. An organization can either choose to develop its own EMS or use a standard. The most popular standardized EMS is the International Organization for Standardization's (ISO's) ISO 14001, and in Europe the Eco Management and Audit Scheme (EMAS) is also common (both standards are described more thoroughly in chapter 3) (Kolk 2000).

## 2.2 The development of environmental management and EMSs

When they first were acknowledged, environmental issues were considered local and precise, but over the years they have changed to be more and more global and complex (Ammenberg 2004). As the way of looking at environmental issues has changed, companies' management of their environmental issues have developed as well. Few environmental terms have gained as big popularity in such a short amount of time as environmental management (Kolk 2000) and to understand why, the history leading to the today well-known concept needs to be described.

### 2.2.1 Attention to environmental issues

There are examples of earlier discussions related to environmental aspects, but environmental issues were first brought to the fore especially in the sixties (Ammenberg 2004). After World War II, the focus was mainly on helping countries develop their economy as fast as possible by a massive industrial build up in order to achieve welfare and economic growth. Increasing the material welfare seems to be placed highest on the agenda in many countries still today, but the seamy side of this one sided strategy started to show in the fifties with the first serious accidents related to the environment (Ammenberg 2004). One book that attracted a lot of attention and led to heated discussions was Silent Spring by Rachel Carson published in 1962. It was written as a warning of the risks using pesticides in the agriculture and became a catalyst in the environmental debate. High levels of pollution, the medial development and the rebellious and questioning mentality distinguishing the sixties were other factors that contributed to a strong opinion in environmental issues. Regulations and agreements on national levels were made, but many realized that a more long-term and international cooperation was needed (Ammenberg 2004). In the early seventies a UN conference on human environment took place in Stockholm, but with no global consequences really worth mentioning (Scott 2003). During the beginning of the industrial time, the strategy for handling environmental issues was to get rid of the sources to the problems by moving them to a place were human activity was more rare. The next strategy was to use the principle of diluting. Wastewater was lead to larger waters, factory chimneys were used to spread the smoke into a larger volume of air etc. With increasing environmental awareness, the strategy on how to handle environmental problems changed (Ammenberg 2004).

### 2.2.2 Environmental management in the '80s

Between 1970 and 1990 the world's population increased from 3,7 to 5,3 billions and this led to a sharp increase of the pressure on resources taken out from the planet (Ammenberg 2004). The public global awareness on environmental issues was raised after a series of high profiled pollution disasters in the eighties. All kinds of companies and organizations then started to take on a more environmental approach when managing their businesses (Scott 2003). The relevance of these events was evident when the United Nations Conference on Trade and Development (UNCTAD) performed an extensive survey in 1990-1991, which examined the factors multinational companies' were influenced by when changing their environmental policies (Kolk 2000). The results are presented in figure 2.

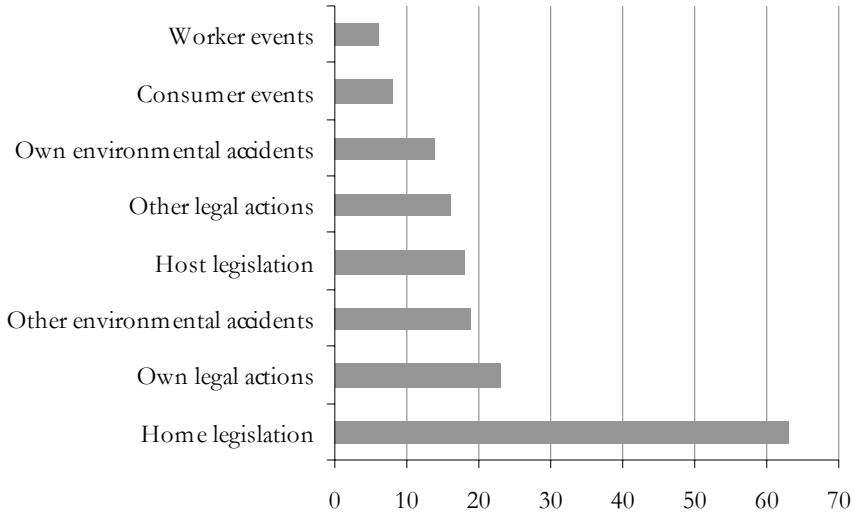



Figure 2: Factors influencing change in company-wide environmental policies or programmes (%) (Kolk 2000).

The most predominant factor turned out to be home legislation, followed by other factors such as own legal actions, environmental accidents, consumer events etc at a distance. The "end of pipe" way of thinking influenced the environmental strategy during the eighties. To comply with stricter legislation, factories used a better filter to limit the amount of discharge. A decreased amount of discharge was an environmental progress, but a problem with the "end of pipe" way of thinking is that it doesn't change the extension of dangerous substances being used (Ammenberg 2004).

The publication of the Brundtland report (named after Gro Harlem Brundtland, the head of the commission which was put together following the 1983 United Nations General Assembly) in 1987 was a big catalyst for change. It dealt with the relationship between environment and development in a broad perspective, and is perhaps most known for defining the term *sustainable development* as "development which meets the need of the present without compromising the ability of future generations to meet their own needs" (Kolk 2000). The term became very popular and the recommendations in the report were widely embraced. A new realization that came in the eighties was that preventive actions were much better than a cure and many companies started assessing their environmental aspects through audits or reviews. By the end of the decade lots of organizations started reporting on their environmental aspects and developing an EMS that was based on an environmental policy. It remained mainly on a self-regulatory basis, but governments encouraged the development (Kolk 2000).

### 2.2.3 International standards on EMS in the '90s

By the early nineties the environmental work among companies had grown bigger, maybe in many cases out of a wish among organizations to take responsibility, so called corporate citizenship, but a lot of them also started seeing the great benefits of "low hanging fruit". Suddenly environmental management went hand in hand with economic performance. It could lead to reduction of costs as a consequence from reducing use of resources, such as water and energy, and also from managing waste (Scott 2003). Add these aspects to the growing market for green products and an increasingly stringent legislation and it's easy to see that the work with environmental management had only just begun, and it grew year after year.

One milepost in the development of environmental management was when the International Chamber of Commerce in 1991 set up 16 management principles for sustainable development that the business world had to implement. 600 companies signed up within a year (Scott 2003)

and an increasing amount of articles, books and magazines was debating sustainable development. Around the time of the 1992 United Nations Conference on Environment and Development in Rio a global consensus on sustainable development had arisen.

The conference in Rio, widely known as the Earth Summit, was popular among the media and changed the whole outlook on environmental issues, on both a public and medial basis. Many learnings summarized the event, one was that the corporate world had the responsibility and possibility to change the global development and make it sustainable (Scott 2003). Another was that sustainable development was a state balanced by aspects of environment, social activity and economy (Scott 2003). The conference also came to the conclusions that regulation and compliance wasn't necessarily the best way to go - companies would anyway have to deal with public awareness and a new market situation and that implementing environmental measures would sometimes have to take a step back to more pressing concerns in third world countries, such as developing tolerable living standards (Scott 2003).

The World Business Council for Sustainable Development (WBCSD) was formed in 1991 by a team of CEOs from the business community (WBCSD 2006). While preparing for the Earth Summit, WBCSD formed the opinion that some kind of international standard on environmental performance needed to be developed to ensure an even playing field for companies around the world (Sheldon 1997). ISO 14001 and EMAS were two of the standards starting to pop up in the early nineties as a way to organize the environmental management movement that was already on the go. A more detailed history of how the two standards arisen are presented further on in the report.

### 2.2.4 Changed focus for EMSs in the '00s

To start with, EMSs helped companies to organize their environmental work and implement it in the organization and this process reached a peak in the end of the nineties (Ryding 2006). Nowadays the environmental work has become a natural part of the business and has developed into concerning more complex issues since the companies have more aspects to consider than just the environment. Organizations have already noticed their environmental impacts and made extensive savings on making processes more efficient and apply recycling, and now their focus has moved to product issues and long-term investments. Due to factors such as the globalisation, the environmental work has today come to include sustainable development and corporate social responsibility (CSR), which makes it more complex (Ryding 2006). The sustainable development is a central concept, which has big implications for environmental management, especially since it's increasing in importance. It builds on what the Brundtland report defined in the eighties (see above) and means that economic, social and environmental issues are integrated. It can be described with the following figure:

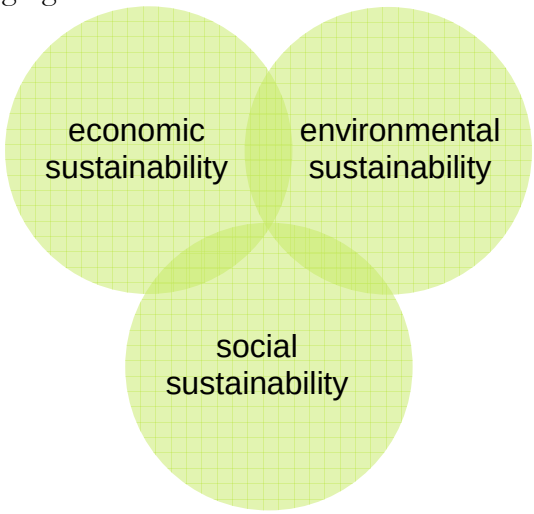



Figure 3: the three dimensions of sustainable development

Companies working with CSR tend to act as corporate citizens and even though focus is mainly on social issues, this also includes taking responsibility in environmental issues (Ammenberg 2004). New initiatives to develop the environmental reporting and promote transparency have also been taken, e.g. by the Global Reporting Initiative (GRI) and ISO. GRI aims to design globally applicable guidelines for preparing sustainable reports and in this way improve the level of communication and the usefulness and comparability of reporting (Kolk 2000). The trend of publishing annual environmental reports has grown big in the last decade. Only a few dozen companies produced such reports ten years ago, today thousands of companies do the same (Scott 2003).

### 2.2.5 The future for environmental management

The environmental awareness has clearly increased as described in the development of environmental management above. Looking at where we stand today, EMSs have been a good start for many companies to organize their environmental work and observe their environmental impacts. Ammenberg (2004) establish that there is an obvious environmental potential with EMSs, but he predicts that reliability will be a central issue for how EMSs will be used and looked at in the future. This concerns especially the international standards ISO 14001 and EMAS, which are further described in the following chapter. The future EMSs will need to be more integrated with business strategy and social issues than they are today (Ammenberg 2004).

# 3 ISO 14001 and EMAS

We focus on the two most popular international standards of today in this report; ISO 14001 and EMAS, and they are described in the following chapter.

## 3.1 ISO 14001

As one of more than 16000 standards developed by ISO since the organization's birth in 1947, the ISO 14001 is one of the more famous and popular (ISO 2006a). It was modelled to harmonize with ISO's well-known quality management standard ISO 9001, which have been used since the seventies. As a part of the ISO 14000-family concerning environmental management, ISO 14001 specifies the requirements for an environmental management standard, which an organization have to meet to be certified by a third party.

ISO 14001 was first presented in 1996 and in the beginning of this century work began on revising ISO 14001, mainly to achieve a more clarified and user-friendly version, but also to increase the standard's compatibility with ISO 9001 (SIS 2004). ISO 14001:2004 was published in 2004 (Piper and Henricson 2004). By December 2005 more that 111 000 organizations around the world were certified, and the number keeps growing, as it has done ever since the start in 1996 (see figure 4) (ISO 2006).

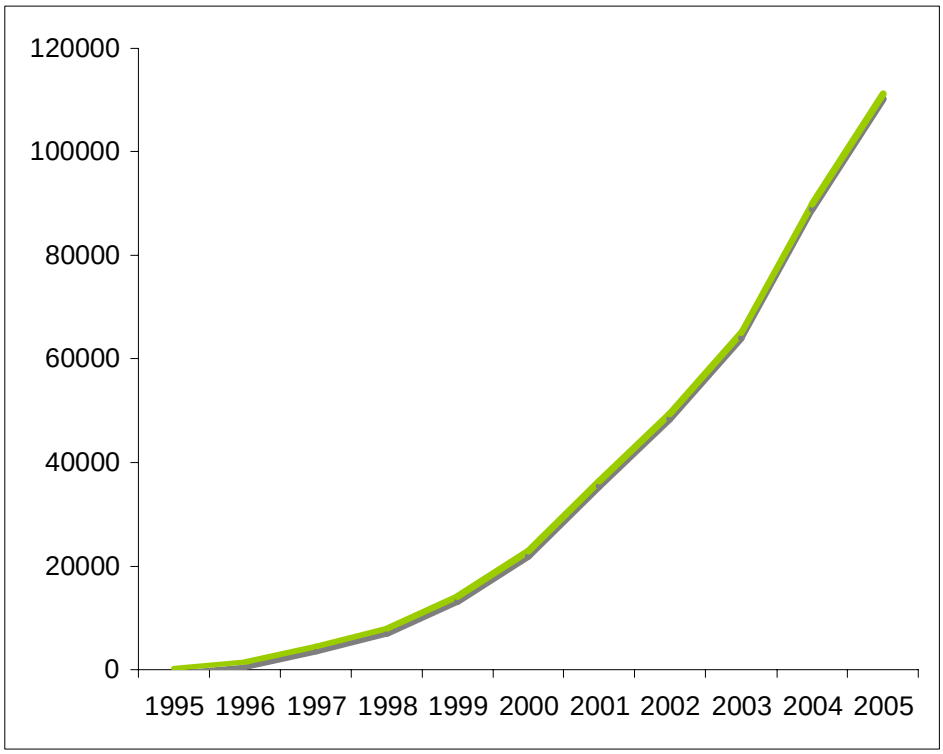



Figure 4: Statistics for certification by ISO 14001, world total (ISO 2001, 2006).

### 3.1.1 ISO 14001 Organization

The world's largest developer of standards, ISO (International Organization for Standardization) is a non-governmental organization and a network of the national standards institutes of 157 countries (ISO 2006a). A central secretariat in Geneva, Switzerland coordinates the system of ISO's members. Many of the member institutes are a part of the governmental structure of their country, while others have their roots exclusively in the private sector and this combination makes it easier for ISO to meet both business needs and the broader needs of the society. The institute responsible for the standards application within the country elects the delegate from

each member country to participate in a technical committee with the aim to develop standards (Ammenberg 2004).

### 3.1.2 The model and scope of ISO 14001

The EMS of ISO 14001 is structured around the Deming cycle, earlier described in chapter 2.1, and the scope of ISO 14001 includes all kinds of organizations that wish to (SIS 2004):

a) establish, implement, maintain and improve an environmental management system,
b) assure itself of conformity with its stated environmental policy,
c) demonstrate conformity with ISO 14001 through first-, second- or third-party review.

First-party review means making a self-determination and self-declaration, while second-party review refers to seeking conformation by interested parties such as customers. Third-party review can either mean confirmation by a party external to the organization or certification by an external organization.

#### 3.1.2.1 Audits

To achieve an ISO 14001 certification, the organization has to be controlled by a third party. This service is financed by the organization and provided by audit-companies. The competence of these audit-companies is assured through national accreditation bodies. SWEDAC (the Swedish Board for Accreditation and Conformity Assessment) is a public authority and the national accreditation body of Sweden with duties involving determination of the competence of the organizations to perform their work (SWEDAC 2006). SWETIC (Swedish Association for Testing, Inspection and Certification) is an organization working with e.g. inspection and certification within and outside of Sweden (SWETIC 2006). In an interview with Sven-Olof Ryding, Miljöstyrningsrådet, he added that to achieve equal reviews from the auditors, these types of organizations direct the auditors into reaching a similar interpretation (Ryding 2006).

### 3.1.3 The requirements of ISO 14001

The requirements of ISO 14001 are structured around five basic steps divided into 17 elements, which covers certain areas in the organization. In total there are 54 specific requirements. The basic steps and elements are listed in figure 5 and the requirements will be further described in Analysis 1 (Lennart Piper Sven-Olof Ryding Curt Henricson 2004).

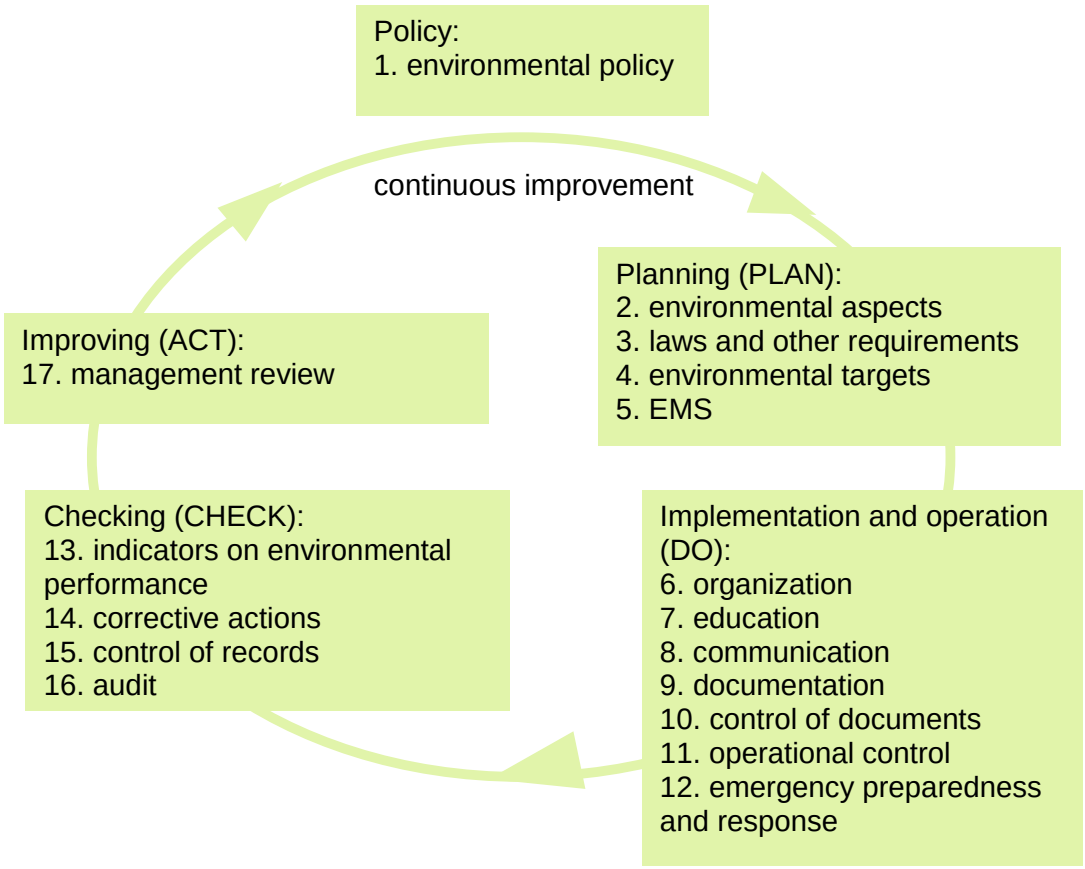



Figure 5: the steps, elements and requirements in ISO 14001.

## 3.2 EMAS

In February 1993 the European Union (EU) took on a Community programme of policy and action in relation to the environment and sustainable development. The action plan was called "Towards sustainable development" (European Commission 2006a). As a part of this action plan, EU's environmental ministers established the first version of EMAS (Eco Management and Audit Scheme) in June 1993 and during the following two years the structure of implementing the system was set up. In April 1995 EMAS opened for companies of the manufacturing sectors within the European Union and the European Economic Area (EEA) (European Commission 2006a). The objective with EMAS is to encourage organizations to take an active responsibility for their existing environmental problems by themselves, instead of reacting passive towards the requirements from customers or legislation (European Commission 2006a). It is a voluntary system developed to promote a positive environmental management and a continuous improvement of the environmental work done in organizations (European Commission 2006a).

When ISO 14001 was established in 1996 it also opened up for EMAS. Since the aim of the two systems was similar and ISO 14001 was known world wide, EMAS saw the opportunity to make it easier for companies to register by making the new version of EMAS more like ISO 14001. In March 2001 the second and latest version of EMAS was adopted by the Commission and European Council (European Commission 2006a).

With the same requirements as ISO 14001, the Commission wanted the new version of EMAS to be more noticeable and motivate new organization to register. The improvements of the first version concerned requirements of appliance of national legislation, continuous improvement of environmental performance and requirements of openness and reporting. The new version also opened up to companies and organizations within all economic sectors including public and private services (Miljöstyrningsrådet 2006). The list of EMAS registered organizations that the European Council keep updated on their homepage, shows that just over 5000 sites and 3400

organizations were EMAS registered on the 15th of October 2006 (see figure 6) (European Commission 2006a).

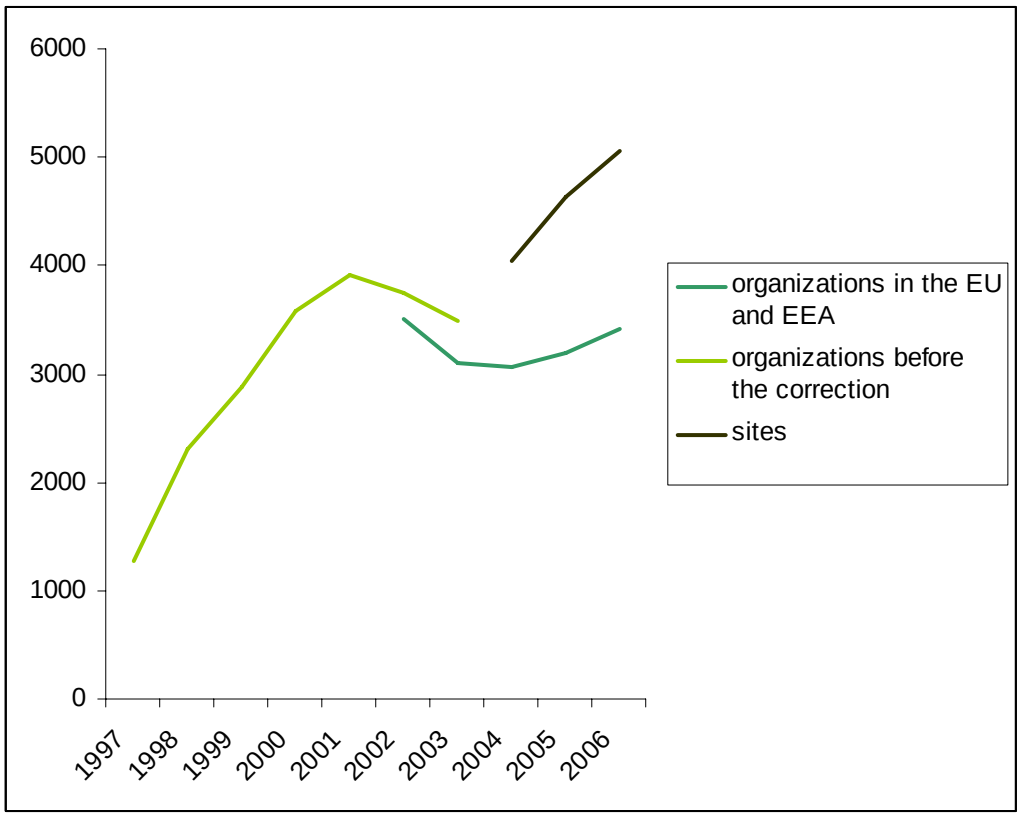



Figure 6: evolution of EMAS-registered organization and sites from 1997 to 2006 (European Commission 2006b).

(To provide a more accurate picture of the development of EMAS, the Commission have collected the number of sites in addition to the number of organization since 2004).

The ongoing process of developing a new version of EMAS (which will be available in 2009), has the objective of trying to reach the concept of sustainable development, but the process is questioned since there is not yet enough knowledge and experience to work with social and ethical issues in a structured and international accepted way. There is also a huge international gap between what social issues are and these facts delay the development (Ryding 2006).

### 3.2.1 The EMAS organization

The EU Commission develops and supervises the scheme at the EU level and is responsible for EMAS' design and appliance, but a number of actors share responsibility for implementing and promoting EMAS in the European Union. The Steering Committee of EMAS, supporting the Commission in practical issues concerning the implementation of the EMAS regulation, is called the Article 14 Committee. It is chaired by the Commission and consists of a group of experts, representing the member states and interest groups such as industry, unions and environmental NGO:s (European Commission 2006a)

EMAS requires that certain functions must be enforced in each country. A national, independent and neutral Competent Body shall be designated by each member state (European Commission 2006b), e.g. the Competent body in Sweden is SWEDAC. The Competent Body has the responsibility to organize the registration process by issuing registration numbers to approved organizations, collecting registration fees, and can also refuse, suspend and delete organizations from the register (European Commission 2006a).

### 3.2.2 The model and scope of EMAS

The core of the EMAS scheme is, as for ISO 14001, the Deming cycle and it builds on the same requirements, but an EMAS registration also requires that the organization shows its environmental performance in an annual official report. The environmental review, EMS, audit procedure and the environmental statement must be approved by an accredited EMAS verifier and the validated statement needs to be sent to the EMAS Competent Body for registration and made publicly available before an organization can use the EMAS logo (European Commission 2006a). To get an EMAS registration, the organization has to pay a fee in addition to fulfilling the requirements (Miljöstyrningsrådet 2006). By describing their environmental performance in an annual environmental revision according to EMAS, the companies' environmental management is shown in public.

#### 3.2.2.1 Audits

To ensure that the organization's activities are being conducted in accordance with established procedures, persons independent of the audited activity perform internal audits. The audit may also identify problems or opportunities for improving the established procedures. All activities in an organization shall be subject to an audit over a period of time, known as the audit cycle (European Parliament and Council 2001). At the end of each audit and audit cycle the top organization management shall receive a written report, prepared by the auditors to ensure that the findings and conclusion of the audit are objectively evaluated. The audit process shall lead to a plan of suitable corrective action to ensure that the audit results are followed up (European Parliament and Council 2001).

### 3.2.3 The requirements of EMAS

Since 2001 the EMAS requirements are the same as for ISO 14001 and follow the same structure described in chapter 3.1.3 (Miljöstyrningsrådet 2006). In addition to this EMAS goes further by also demanding environmental reporting, requirements concerning accreditation by certifying bodies, requirements on the content of environmental report and requirements when using the EMAS-logotype.

## 3.3 The future for the standards

ISO 14001 and EMAS have been around for more than a decade and have gained popularity during these years, as can be seen in the numbers presented in figure 4 and 6 above. Ammenberg (2004) establishes a clear environmental potential with standardized EMSs, but the main issue for how they will be looked upon and used in the future is their reliability. There is a risk that companies going for the lowest levels of ambition will undermine the organizations which have set higher goals and are using the standards in a more serious and strategic way (Ammenberg 2004). Ammenberg means that environmental reports on a company's environmental performance increase the reliability and he thinks that the issue on external communication should be discussed and improved.

Ammenberg also suggest some other issues that might be important to discuss when it comes to future development and application of standards. E.g. what specifically needs to be improved in the continuously improvement? In what way could the requirements concerning scope and valuation in environmental evaluations become clearer? Can the environmental aspects better cover products so that an EMS in manufacturing companies generates a more environmental adjusted product development? The standards will have to adjust on several aspects to improve.

ISO 14001 was recently updated so there will not be any changes made in the nearest future. In 2009 the new version of EMAS will be available, aiming to increase the cooperation between companies and authorities by connecting the standard's requirements to legislation. This would simplify authorities' work and some countries in southern Europe offer certified companies financial benefits, which stimulate certification (Ryding 2006).

In the following chapter theories on standardized EMSs and environmental management, from Ammenberg and others, will be presented to serve as a basis for analysing what IKEA benefits or looses by not using a standardized EMS.

# 4 Theories on standardized EMS's and environmental management

The primary aim of this final thesis is to compare IKEA's EMS to ISO 14001 and EMAS, and to explore the possible benefits and disadvantages IKEA faces by not certifying or registering to one of the standards. In order to achieve the latter we will build a framework for analysis from theories, which we present in this chapter, highlight benefits and disadvantages with having a standardized system. Apart from our primary aims, we also intend to present and analyze IKEA's social and environmental management. To be able to make an extended discussion on IKEA's EMS we will also collect and use theories on environmental management in general.

This chapter starts off with the theories on environmental management (chapter 4.1 to 4.5), in general. They have been chosen because of their importance to environmental management, and their relevance to IKEA's social and environmental work. They focus on the topics of proactiveness and sustainable development, as these aspects are seen as valuable to companies' social and environmental work. We will use these theories in the extended discussion that follows Analysis 1 and Analysis 2. After them, the theories on ISO 14001 and EMAS will follow (heading 4.6 to 4.9). These theories will be summarized in an analysis framework, which, in connection to the Analysis 2, will be used and discussed in the light of the results of the fieldwork. The theories focus on the efficiency of ISO 14001 and EMAS, the continuous improvement, and benefits and advantages, which have been noticed over the years as ISO 14001 and EMAS have been implemented.

## 4.1 Companies' position on environmental management

Ans Kolk (2000), describes three types of environmental management. She means that the strategic importance of environmental issues has increased for many companies, and that their approach to these environmental issues can be seen in the type of environmental management they adopt. I.e. it is possible to judge a company's environmental management by identifying of the types of changes they make. She distinguishes between:

- **End-of-pipe**: The company makes simple, technical disposal and clean-up changes and only complies with regulation as opposed to taking own initiatives. Environmental issues are not integrated into the overall business strategy and the organizational awareness on these matters is limited. The issue of environment is seen as a burden.
- **Process-oriented**: The company extends its environmental actions to involve production process changes and increases its own initiatives on environmental management. Environmental issues are being integrated into the strategic work and the environmental consciousness within the organization is growing. The issue of environment is seen as a precondition.
- **Product-oriented**: The company now makes product (life cycle) changes and implements self-regulatory actions. The environmental issues are integrated into the general management system and the organizational environmental concern is high. The issue of environment is seen as a challenge.

This categorisation suggest that if a company is making changes to its products they have often come a longer way with the environmental management then companies who only implement end-of-pipe solutions or make changes to the production process.

## 4.2 Proactiveness and environmental management

Different scales are often used to describe a company's commitment and approach to environmental management. One, described by Kolk (2000) is the reactive-defensive-accommodative-proactive (RDAP) scale, which has been developed in connection to research on

CSR. It describes companies' approach to environmental management through the following division:

- **Reactive**: the company denies responsibility and does less than is required.
- **Defensive**: the company reluctantly admits responsibility and does the least that is required.
- **Accommodative**: the company accepts responsibility and does all that is required.
- **Proactive**: the company anticipates responsibility and does more than is required.

This scale is often used to analyze companies' dedication to environmental issues, based on how far they have moved from not complying or only complying with legislation. A company that takes own initiatives and anticipates and goes beyond what stakeholders demand benefit when it comes to environmental achievements.

Another scale used to analyse a company's approach to environmental management is described by François Demarq and Valérie Martin (2001). They mean that it is important to acknowledge the environmental issues on all levels of the organization, instead of just centralizing the environmental management and responsibility to e.g. a environmental department. A company's approach to integration of strategic environmental management systems into business operations gives the following scale:

- **Hostile**: the company sees all ecological concerns as uneconomical.
- **Defensive**: the company considers the environmental factor to be a threat.
- **Accepting**: the company sees the environmental factor as a legitimate social concern, but not as the responsibility of business.
- **Co-operative**: the company is willing to be involved in environmental objectives.
- **Proactive**: managers at the company integrate environmental soundness into their quality objectives.

I.e. a company that integrates EMSs with business operations and objectives tend to have a proactive approach to the environmental issues.

## 4.3 Leadership and environmental management

Today more and more companies chose to act as members of society, to change e.g. social and political situations in the community they operate. To achieve sustainable development within the business community, instincts and skills on questions surrounding social matters, economy and environment need to be secured and passed along. Grant Ledgerwood (1997) concludes that this important aspect can be achieved through the primacy of leadership, and that one of the most effective drivers for companies' social and environmental commitment is having dedicated persons within the top management. Per Grunewald of AB Electrolux (1997), underlines this argument. According to him, the most proactive companies have leaders with an understanding that the process of environmental management is irreversible and offers many possibilities. If allowed to flourish, this strong leadership becomes a huge advantage and leads to benefits for companies when working with environmental management.

## 4.4 Sustainable development and environmental management

Ever since the Brundtland report came out, the concept of sustainable development has been a kind of norm for the ideal approach to environmental management. As key forces in society, companies of all kinds have an important role to play in achieving the goal of sustainable development. By developing a strategy towards this, a company have to integrate economic, social and environmental management (see chapter 2.2.4). Richard Welford (1994) concludes that

companies that use the sustainable development principle as a base for their environmental management take a more ethical and long-term approach, which gives for a more transparent and honest industry climate.

## 4.5 The global economy and environmental management

David Monsma (2001) addresses necessary new approaches for achieving sustainable development. He believes a paradigm change is necessary, due to the increasing worldwide demand for consumer lifestyles, which model those of the western world. Since corporations and their business behaviours have changed, the economic growth will be different from what we've seen since the fifties, and it will lead to a whole new set of environmental aspects. Monsma concludes that companies will need to anticipate these new aspects when laying out their environmental management strategies. EMSs will also need to become more globally interactive in reference to fair competition between different economies and an effective balance to protect and restore environmental values. What we conclude from this theory is that companies that anticipate their environmental aspects due to economic growth (e.g. from increased consumerism etc) have taken necessary new approaches towards achieving sustainable development.

The theories outlined above will guide us in our extended discussion about IKEA's social and environmental work. The conclusions about environmental management, which these theories present, are summarized in figure 7.

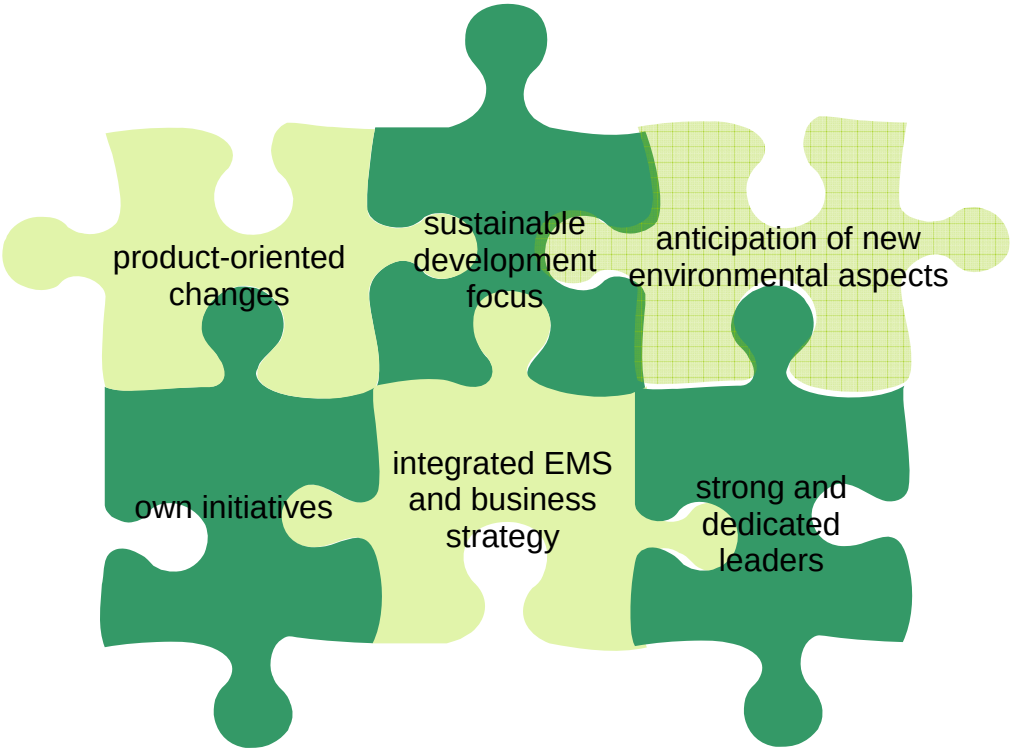



Figure 7: Qualitative features of a companies' environmental management

This framework can be said to present the qualitative features of a company's environmental work, and will give us a basis for the extended discussion on IKEA's social and environmental work. This sums up the theories on environmental management that we have chosen for the study. The theories on ISO 14001 and EMAS, which we will use for our framework, in order to analyse benefits and advantages for IKEA by not using one of the standards (analysis 2), will follow below.

## 4.6 The efficiency of EMS standards

The environmental efficiency of the EMS standards is often debated, and we have found many theories and opinions on the matter. Having a certificate does not mean that the company is successful in environmental performance, but only that the work is done in a systematic way and that the lowest levels of relevant environmental laws and requirements are fulfilled (Sivertsson 2006).

Mats Lomander (2006) (area sales manager at DNV Certification which perform audits for ISO 14001 certified companies) has experience on standards, and has some thoughts on their efficiency. According to him, in the early days of implementing standards for environmental management, companies could easily see the positive effect of environmental work in the economic profits, since the first measures concerned efficient processes and use of resources. Compared to developing a company's quality work, where the benefits grow at first to stay at a constant level, the process of implementing a system for environmental work does not follow the same curve. The obvious benefits as a result of more effective processes etc result in economic profits at first, but after these actions are taken, the connection to the company business strategy is not as clear, which makes it harder to motivate the company to continue the environmental work. Lomander sums up his thoughts by saying that the environmental effects of having an EMS are not always so obvious after the first clear decrease of the company's environmental impact when the EMS is first implemented.

Karin Sivertsson (manager of KPMG Sustainability Service) also has experience on how efficient an EMS standard is for a company's environmental performance. She believes that it depends entirely on the level of ambition within the company and in the management (Sivertsson 2006) and that there is a disadvantage to ISO 14001 in the aspect that it is not a performing standard. How successful the company's environmental work becomes is entirely depending on the company's and the management's involvement and goals and these aspects are not included in the standards (Sivertsson 2006). Lomander (2006) also added that the levels of ambition vary a lot between different companies and especially between different countries. E.g. in Sweden many companies only use ISO 14001 as an initial platform, since many of the requirements are already fulfilled or are not so difficult to reach. In other countries extensive changes are often required from companies trying to fulfil the ISO 14001 requirements, especially if they are not already certified by ISO (e.g. to ISO 9000) and therefore have some structure within the organization (Lomander 2006).

In a survey on the eco-effectiveness of EMS standards (Hamschmidt and Dyllick 2001), 73% of the companies in the sample (which were all ISO 14001 certified) had no previous experience of systematic environmental management prior to certification. This suggests that ISO 14001 has significantly contributed to implementing a system of environmental work in companies who otherwise might not introduce systematic environmental activities. Some general effects from the use of ISO 14001 on the company's environmental performance could be seen, but more specifically the results were modest. When it comes to the usual beneficial area of absolute decrease of material and energy flows, only 10% of the companies experienced a "strong decrease", 50% "some decrease" and 40% did not know or experienced an increase. It also became clear that relative improvements in eco-efficiency were often offset by an expansion in production.

A study on the efficiency of EMAS showed that registered organizations had seen positive effects on their environmental performance since implementing the standard (Iraldo 2006). An explanation for this could be that EMAS, unlike ISO 14001, requires environmental reports showing improvements of organization's environmental work. For 94% of the participants, the environmental performance is somewhat or much improved in recent years. This indication relies

on the fact that 78% regularly measures the environmental performance in all or most areas, 19% in some areas.

Jonas Ammenberg's thesis on the subject "Do standardised environmental management systems lead to reduced environmental impacts?" (2003) came to the conclusions that a standardized EMS does not guarantee a good environmental performance or reduced environmental impacts.

The conclusions that these theories represent on standards' ability to promote efficient environmental performance, are summed up below, and will be used in Analysis 2:

- Standardized EMSs does not guarantee efficiency on environmental performance, since they don't demand better environmental performance and lack in regard to: giving incentives for integration of EMS with the overall business management, making sure strategic environmental objectives are set, and giving incentives for fruitful authority relationships.
- The efficiency of the environmental performance depends on the certified or registered company's own ability to connect the environmental work with business strategy, the level of ambition within the company and among top management, and whether the standard requires environmental reporting

## 4.7 Continuous improvement using EMS standards

ISO 14001 and EMAS are modelled on the Deming Cycle in order to facilitate organizations' continuous improvement of their environmental work, but since the standards do not specify an appropriate level of performance, the continuous improvement depends on the organizations level of commitment and ambition. It can also depend on the organization's technical and economic possibilities. This said, external and internal revisions can urge the progress since they involve evaluations and discussions on improvement of the organization's work towards continuous improvement (Sivertsson 2006). It also varies between different sectors, which have different conditions for how well companies succeed with continuously improvement. Companies with focus on products and processes see more opportunities to improve their environmental performance while consulting firms find this more difficult (Lomander 2006).

The survey of Hamschmidt and Dyllick (2001) came to the conclusion that standards for EMSs fulfil the expectations of the companies regarding the systematisation and controlling of environmental relevant processes and economic performance. Although from the environmental policy perspective the standards seem to be useful but not sufficient for effective ecological improvements in companies. Since ISO 14001 does not explicitly refer to environmental sustainability it does not stimulate the continuous improvement that can head in that direction.

The conclusions that these theories represent on standards' ability to promote continuous improvement, are summed up below, and will be used in Analysis 2:

- The possibility to achieve continuous improvement depends on a certified or registered company's level of commitment and ambition, as well as its technical and economic possibilities, the quality of evaluation and discussions in connection with audits, and the type of business sector the company works in.
- The sustainable development approach is lacking in the standards, and continuous improvement in that direction is therefore not encouraged by the standards.

When it comes to benefits and disadvantages that companies have observed by using ISO 14001 or EMAS, a more concrete picture can be drawn than the previous theories. The following chapters present these, and they will be collected in a framework, which will be useful in Analysis 2.

## 4.8 Benefits and motivations to using standards

Over the years some benefits have been seen in implementing one of the standards. A study of EMAS (Iraldo 2006) showed that the three most significant benefits perceived by the participants concerned improvements in monitoring, management and legal compliance. Organizations which choose to certify or register according to ISO 14001 or EMAS often benefit from the standards' reliability and competence, and see improvements in organizational structure, communication, and image. These aspects are described below.

### 4.8.1 Reliability and access to competence

Scott (2003), Sivertsson (2006) and Ryding (2006) all agree that certification often is a question of reliability and external audits are seen as trustworthy "proofs" that the organization fulfil certain requirements. Lomander (2006) believes that the international standards, which are backed by big organizations like ISO, provides valuable support and experience for companies in their environmental work (Lomander 2006). Compared to making an EMS unique for one company, like IKEA, a standard provides a procedure where the first steps are already taken and while developing an EMS there are a lot of competence and experience offered for companies using the standards (Sivertsson 2006).

### 4.8.2 Organization and structure

In certifying or registering to a standard, the company gets help with structuring the organization and the environmental management. According to Lomander (2006) a structured organization makes the company less vulnerable. The implemented EMS and the certificate also contribute to top management assurance that the central environmental issues stays on a certain level, according to Sivertsson. In Iraldo's study on EMAS, the organizational aspects are considered important among the participants. Approximately 61% of the participants experienced an increase in the motivation and involvement of personnel, while 63% achieved a better definition of responsibilities (Iraldo 2006).

### 4.8.3 Communication and relationship to stakeholders

Sivertsson (2006) and Ryding (2006) point out that a certification showing that the company fulfil the requirements of well-known standards like ISO 14001 and EMAS simplify communication with stakeholders and can also facilitate business relations. Without any further research, customers, suppliers and other stakeholders know what to expect from the organization concerning their environmental work. Having an EMS designed specifically for one company makes it harder to explain the environmental work and this might complicate the communication with stakeholders. Within some sectors, certificates are even considered to be one of the basic requirements before going into business and this is a strong motivation for international standards among many companies. Although there are exceptions where customers perform their own audits on the EMS and environmental work independent of which certificates the company has established (Sivertsson 2006). Scott deems that by attaining a certification or a registration the organization can evaluate the commitment of all its suppliers within an overall supply management. Since many organizations' significant environmental aspects lie in their supply chain as opposed to within their own operations, the importance of incorporating the supply chain in the environmental management system is huge. The fact that ISO 14001 means applying similar criteria to suppliers from all kinds of sectors and countries is highly valuable. This aspect is also very helpful for organizations such as financial companies, when dealing with their environmental issues. They don't really have any direct significant environmental aspects, only indirect ones such as environmental impacts due to paper and pulp production etc (Scott 2003).

### 4.8.4 Image

Both the survey made on ISO 14001 certified companies by Hamschmidt and Dyllick (2001) and Iraldo's (2006) study on EMAS-registered organizations, conclude that an improved image is the most important motivation for companies to implement standards. However Ammenberg (2004)

emphasizes that this is not always fair, since there are different levels of ambition among companies. Those with high ambitions on environmental performance deserve a better reputation than companies only fulfilling the minimum requirements, but the ISO 14001 certification does not require reporting and there is a lack of transparency, which could show the differences in performance. The improvements in image contribute to an improved position when it comes to competition, which has created a dilemma for many companies; Ekberg (2006), the CEO of the IKEA supplier Fälth & Hässler, points to the fact that adapting a respected standard was a relatively easy way for companies to "buy" themselves a better image and advantage point. Like IKEA, Fälth & Hässler has chosen not to certify or register according to ISO 14001 or EMAS, and it had a lot to do with the fact that they didn't want to be equalized with competitors, which had adapted one of the standards, but that they know didn't match their quality standard or business approach (Ekberg 2006). Ekberg's thought highlights the fact that certifications even the playing field and can benefit companies that doesn't necessarily deserve their bettered image and market position.

The conclusions that these theories represent on benefits that come from certifying or registering to ISO 14001 or EMAS, are summed up in figure 8 below, which will be used as a framework for Analysis 2:

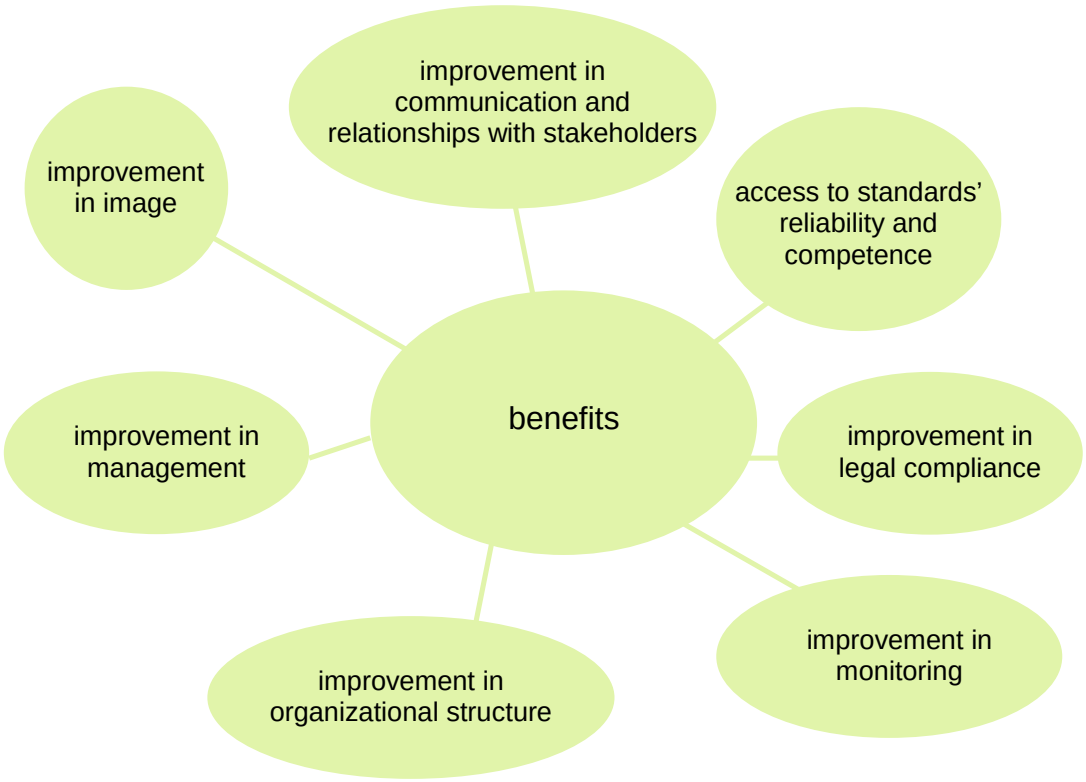



Figure 8: benefits with using ISO 14001 or EMAS.

## 4.9 Disadvantages and barriers to using standards

Despite their popularity, there are disadvantages and barriers to the standards. Even though a big organization can, as earlier mentioned, provide support, experience and competence to companies who wants to implement a standard, Scott points out that a big certification organization can be difficult to trust. Other disadvantages with a big organization are bureaucratic aspects and the costs for the external support and audits, which is sometimes considered too expensive for smaller companies. There is also a disadvantage with the lack of requirements in ISO 14001 concerning environmental performance and the standards lack of focus in integrating the environmental work with the general business strategy. Scott (2003) also finds difficulties since different sectors and countries can have different priorities, which sometimes need a more

flexible approach, and the standard can in some cases either patronize or set insurmountable hurdles. The costs and bureaucracy aspects are further presented in this chapter, together with sustainable development and business benefits.

### 4.9.1 Costs and extensive bureaucracy

According to Ryding (2006) the standards are conservative, bureaucratic, time- and administrative demanding and he also deems that the communication within the implemented EMS is insufficient. Sivertsson (2006) agrees with Ryding by saying that the requirements on documentation and administration often means that the standard becomes an administrative colossus for the companies.

When implementing and maintaining a certification or registration the main costs besides the internal personnel time are consultant fees, costs for certification, registration and maintained auditing, and costs concerning internal education (Ammenberg 2004). Ryding means that the extensive cost is a problem, especially for smaller companies, and is sometimes a barrier for implementing standards. Among the companies participating in Iraldo's survey on EMAS, the cost of implementation was the most common opinion on barriers to achieve EMAS registration.

Ryding also believes that the knowledge about the company is better within the company and this often leads to irrelevant and stupid questions from the auditors, which gives for unnecessary waste of time etc. Another disadvantage with the audits, that many companies experience, is the difference in the evaluation. Even though SWEDAC by regular meetings and education tries to set the level for the audits, the competition between auditors could lead to a difference in quality between audits.

According to Ryding (2006) there is also some confusion among companies on standards. With the extensive amount of certificates existing today, the companies are having difficulties understanding all of them.

### 4.9.2 Lack of focus towards sustainable development and CSR

According to Hamschmidt and Dyllick (2001), an EMS standard can strongly facilitate the co-operation between the authorities and companies, but beyond the demand for adherence to legal compliance and the establishment of the formal EMS structure, it is up to the company itself to set its own emphasis and priorities. The standard itself gives few incentives for initiating processes of fundamental change towards sustainability. Hamschmidt and Dyllick conclude that improvements need to be done to the standards to achieve transparency between certified companies. If, for example, ISO 14001 would start requiring reporting, authorities could distinguish between who goes far beyond compliance and who does not. In that way they could give incentives to recognize and encourage top environmental performers (Hamschmidt and Dyllick 2001). ISO is only addressing the issue of reporting on sustainable issues with its standard ISO 14063 and is developing a standard for social responsibility, the ISO 26000, which will be published in 2008. The latter will be designed so that it will fit into ISO 14001 (Ryding 2006), it will only be a guiding, voluntary document, in spite of the opinions from different organizations, e.g. IKEA that it should contain requirements and be used for certification (Bergmark 2006). The critics mean that it will be tame and unable to achieve any real accomplishments on social issues.

### 4.9.3 Lack of incentives for business benefits

Environmental work often results in economic benefits for the company, but the difficulties in estimating the profits in advantage complicate the use of financial profit as an incentive for environmental work (Ammenberg 2004).

Hamschmidt and Dyllick (2001) find that there is a lack in standards when they do not address strategic issues. This means that the companies occupy all of their time with the fulfilment of operational demands and are given no help in working with important strategic perspectives, such as identifying environmental market potentials or changes in the business environment as a

starting point for reduction of environmental risks (Hamschmidt and Dyllick 2001). Lomander (2006) means that there are difficulties in integrating a company's environmental work with the business strategy and Hamschmidt and Dyllick (2001) point out that the standard EMS becomes more of a separate system for implementing independently developed environmental objectives and targets.

The conclusions that these theories represent on disadvantages that come from certifying or registering to ISO 14001 or EMAS, are summed up in figure 9 below, which will be used as a framework for analysis in analysis 2.

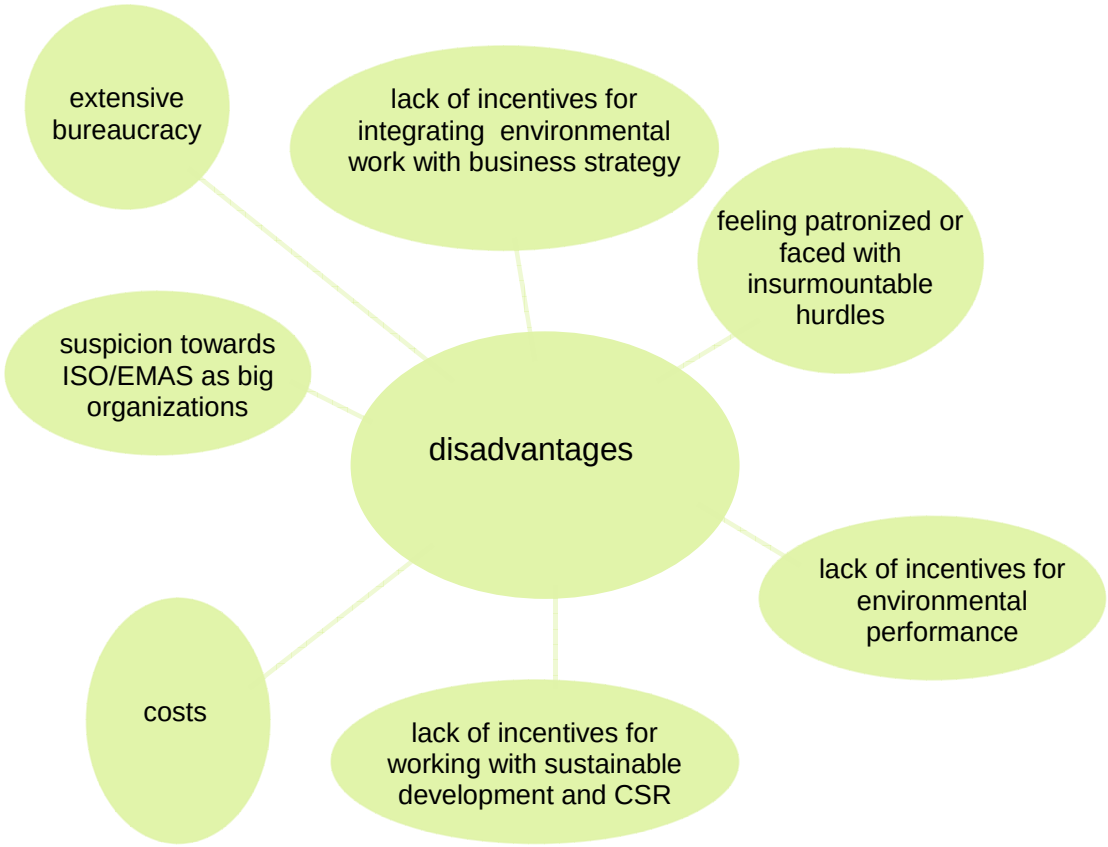



Figure 9: disadvantages with using ISO 14001 or EMAS.

# 5 About IKEA

"Nothing seems to stop the growth machine that is IKEA", reads a recent article in the newspaper Dagens Industri (Lundin 2006). When Ingvar Kamprad founded his business in 1943 at the age of seventeen, he started out by selling all kinds of products; matches, pens etc, to the people who lived within his community in the middle of the woods of Småland, Sweden. Today the business has grown into the worldwide home furnishing retailer IKEA, with all that comes along with being a big global organization: a big number of stakeholders, big production, big supply chain, big number of products and services and a big impact on the world. Today an optimistic spirit motivates the company and the growth can be seen in the numbers. In 1958 the first IKEA store opened in the heart of IKEA land: Älmhult, Sweden. Compare this to IKEA half a century later, and the change is evident (IKEA Services AB 2006).

| | |
|---|---|
| 237 | number of IKEA stores, spread out over 34 countries/territories, as of August 2006 |
| 16 | new stores opened in 2006 |
| 24 | new stores planned to open during FY07 (the financial year covers 1st of September to 31st of August) |
| 44 | number of countries IKEA operates in |
| 104 000 | number of IKEA co-workers |
| 45 | number of IKEA trading offices (monitors the production processes) |
| 26 | number of distribution centers (supplies goods to IKEA stores) |
| 14.8 | billion euros in sales for 2005 |
| 17.3 | billion euros in sales for 2006, resulting in a new sales record |
| 1/3 | share of the 2007 IKEA range that is new |

Table 1: IKEA in numbers (IKEA Services AB 2006).

This is in line with IKEA's plans. According to Anders Dahlvig, CEO at the IKEA Group, the company has the "ambition to double the turnover within five to six years" (Lundin 2006). If all goes according to plans this will be accomplished through the increase in sales due to the opening of new stores and cutting of prices. New markets in Asia, with an increasing purchasing power, are opening up and IKEA is already investing in this area (Lundin 2006).

This development will test IKEA's social and environmental approach and commitment. An increase in sales means increased production and distribution volumes, which are factors that contribute to several environmental impacts. The company is also expanding through new stores, moving into new territories and employing more co-workers than ever, and this presents challenges on several aspects, both within social and environmental issues.

IKEA has today overcome the tough years during the nineties when its business was poor and is now known throughout the world to be an innovative, independent and successful retailer. In size and turnover it might not reach to the level of its foremost international competitors, e.g. WalMart, but in other aspects it is noticed around the world. It ranked number 19 on BusinessWeek's list of the most innovative companies in the world, just outranking WalMart (di.se 2006). The company's brand is also very strong, which was shown when BusinessWeek also ranked the world's most valuable brands. The list is set up according to some factors, e.g. at least a third of the turnover should come from outside the home country and the brand should also be known outside of its main clientele. Because of this, WalMart doesn't compete in this area since the company's turnover is mainly in its home country. IKEA, on the other hand, ranked as

number 42 and was one of the fastest climbers on the list. The company was also praised in the newspaper with the words "IKEA has become a concept from San Diego to Shanghai" (DI 2006). It has even gained a kind of cult-status in certain countries. "At a time when consumers face so many choices for everything they buy, IKEA provides a one-stop sanctuary for coolness. It is a trusted safe zone that people can enter and immediately be part of a like-minded cost/design/environmentally-sensitive global tribe.", reads an article in the international paper BusinessWeek (Capell 2005). IKEA thrives on this kind of reputation. Anders Dahlvig is quoted in the article to have said that "awareness of our brand is much bigger than the size of our company" (Capell 2005). Another important ranking the company received was when Veckans Affärer and Att:ention listed Swedish companies and organizations based on factors such as company culture, economic performance, social responsibility, innovative ability and products and services. IKEA got the highest score, 2000 readers listed the company as the one with the best reputation (di.se 2006). With all this success, the company is growing and thriving.

## 5.1 The organizational structure of IKEA

IKEA is able to make expansions into unsure markets such as Russia and China due to its quite unique organizational structure. The company is owned by a foundation, and its lack of shareholders is a big advantage in all of the projects and endeavours that the company takes on. The stock market often has little acceptance towards long-term investments, but IKEA is able to carry out projects, like environmental management activities, that doesn't necessarily give a profit during its first years. Today this seem to be a common demand from share holders on companies, and the short-term perspective within the business world often leads to restricted strategies in areas such as environmental management.

The organization of IKEA can be seen in figure 10:

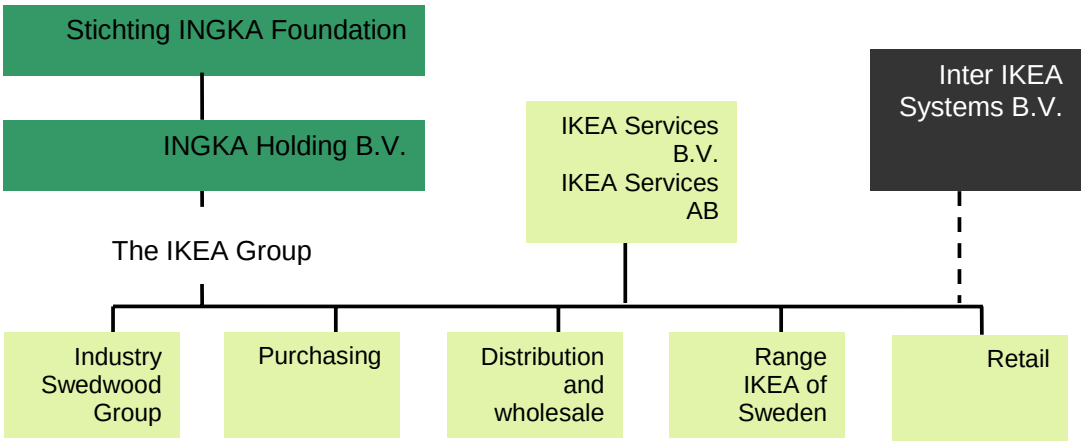



Figure 10: The IKEA organization (IKEA Services AB 2005).

The IKEA sphere can be divided into three sections, more or less attached to the IKEA business; one is made up by the Inter IKEA Systems B.V (short for *besloten vennootschap*, i.e. a Dutch private limited liability company), another is headed by the Stichting INGKA Foundation, and the last consists of the IKANO Group (not in figure 10).

Inter IKEA Systems B.V. was founded in 1987 (Lundin 2006) when Ingvar Kamprad decided to hand over the position as CEO. He thereby chose to distribute the power, instead of putting all of the control into one single company. It is today owned by different foundations that are controlled by the Kamprad family (Lundin 2006). Inter IKEA Systems is a separate and, to many, unknown group of companies that play a very powerful role within the IKEA sphere since it owns the IKEA brand and concept and also has franchising agreements with every IKEA store in the world (IKEA Services AB 2005). The company is also responsible for e.g. shaping the design of the stores, educating the IKEA managers and producing the IKEA catalogue (Lundin 2006).

The Stitching IKEA Foundation owns the IKEA parent company INGKA Holding B.V. The two Dutch foundations were founded by Ingvar Kamprad in 1982, out of his wish to protect IKEA from buyers, society changes and internal disagreements (Thulin 2006). Stichting INGKA Foundation has a purpose of furthering the areas of architecture and interior design (Carlsson 2006) and was in 2006 described in an article in The Economist as the world's largest foundation, with a worth of 261 billion Swedish crowns (di.se 2006). INGKA Holding B.V. owns the IKEA Group, which consists of a number of companies; the industrial Swedwood Group (which manufactures IKEA furniture), purchasing and supply functions, IKEA of Sweden (which designs and develops the IKEA range), and sales companies (which run the IKEA stores) (The IKEA Group 2006). IKEA Services AB (in Sweden) and IKEA Services B.V. (in the Netherlands) also belong to the IKEA Group. They consist of nine staff units which support the IKEA Group work. It is here that we find staff units such as Social & Environmental Affairs, Corporate PR, Marketing and Sales, Logistics etc.

The IKANO Group was separated from the IKEA Group in 1988, and is today a group of companies that "owns and develops competitive and profitable niche companies in the areas of finance, real estate, asset management, insurance and retail" (The IKANO Group 2006).

## 5.2 The vision and business of IKEA

IKEA's social and environmental work of today is strongly guided by the vision of IKEA. Ever since Ingvar Kamprad founded his business, his strive has been to bring products to the many people. This focus has always been the backbone of IKEA, and is reflected in the IKEA vision "To create a better everyday life for the many people", which the company adapted in the late seventies (IKEA Services AB 2006). It can be traced back in many of the steps the company has chosen to take over the years, both the successes and the fiascos. E.g. the wanting to provide the working class of Sweden with affordable pianos in the sixties didn't quite fit into the company's characteristic flat pack delivery (Wannberg 2006).

"To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford to buy them" is the IKEA business idea (IKEA Services AB 2006). It is a natural development of the very concise IKEA vision. It also reflects one of Kamprad's very typical traits: the resource- and cost efficiency that has been the key to the company's success in staying competitive and continuously cutting the prizes. This important strategy along with the wanting to keep the customer's happiness central has encouraged new ideas from all co-workers to solve problems within the company that would benefit these aspects. A central philosophy at IKEA is that problems give you a chance to make changes for the better (Wannberg 2006). One of the new ideas that have meant a lot to IKEA's environmental work came to a co-worker who was packaging the side table "Lövet". This was during the fifties when IKEA still was a mail order company and distributed their products themselves in assembled form. But this very popular table was getting damaged a lot during transport, and customers of course complained. The co-worker eventually got fed up and simply removed the legs from the table and made a flat package out of it (Wannberg 2006). It worked out to be such a successful idea that from then on IKEA was in the business of selling furniture mainly in flat packs. And this innovative idea, as time has shown, has come to be one of the biggest advantages for IKEA when it comes to dealing with its environmental aspects.

Besides the vision and business idea, IKEA is also strongly guided by "Ten Jobs in Ten Years", a framework document that sets the direction for IKEA for 2001-2010. It was worked out by Anders Dahlvig when he took on the role as CEO in 1999 and describes the objectives and focus for the future. The objectives are (Dahlvig 2000):

- To be the leading home furnishing company
- To strengthen IKEA's competitive position

- To sustain long-term profitability

These objectives will be reached by the documents main focus, the ten "jobs" (Dahlvig 2000). They focus on several aspects of the IKEA business, and are formulated in the following ways:

1. To develop a strong and vital range
2. To offer outstanding prices
3. To improve the meeting with our customers
4. To continue to reduce purchase prices and improve product quality
5. To develop a logistical efficiency in the whole pipeline
6. To attract, develop and inspire our people
7. To be one IKEA
8. To become leaner, simpler and quicker
9. To take responsibility for our suppliers, their co-workers and for the environment
10. To keep the culture of IKEA a strong living reality

Job number nine is especially interesting for this final thesis since it sets the direction for IKEA's social and environmental work. Dahlvig elaborates on the issue in the document. His opinion is that IKEA for too long had been a business with focus mainly on two stakeholders: its customers and co-workers. The suppliers' working conditions and their environmental aspects had sometimes not been seen as IKEA's responsibility. Dahlvig wants to change this, since he feels "it makes neither good moral practice nor sound business sense". An honest and open co-operation and sharing of production experience with the suppliers is crucial for the coming years, to ensure acceptable working conditions. It will also achieve a globally strong supply base through trust and mutual advantage (Dahlvig 2000). Dahlvig goes on to address the issue of minimising IKEA's effect on the environment in the document, and how the company must choose to take responsibility for their actions. He acknowledges that IKEA is a big company, with effect on not only customers but also the planet and its resources, and that the company is dependent on natural resources for its long-term development and growth. IKEA should therefore strive to make the range environmentally adapted, in part because customers would increasingly demand so over time. E.g. 100% of the wood used in the products should eventually come from well-managed forests only. Transportation of the furnishings, co-workers and customers are also prioritized areas, as well as the environmental work in the stores. All the environmental practices that IKEA sets for themselves also needed to be adhered to by their suppliers (Dahlvig 2000).

The social and environmental focus of Anders Dahlvig and the IKEA Group top management was reaffirmed when company presented its four focus factors for 2007 (IKEA Services AB 2006):

- Reduced prices
- Continued quality assurance at all levels
- Expansion
- Continued focus on social and environmental issues

As is described later on in the report, the IKEA vision, business idea and "Ten Jobs in Ten Years" sets the foundation for IKEA's social and environmental approach.

## 5.3 IKEA's stakeholders

IKEA has, like all big organizations, many different groups or organizations that have a legitimate interest in the way they conduct their business. The company itself sees customers, co-workers, suppliers, non-governmental organizations (NGOs), and authorities to be their main stakeholders (IKEA Services AB 2006). But other stakeholders influence IKEA, more or less, in the company's daily work: media, unions and competitors to name some (see figure 11).

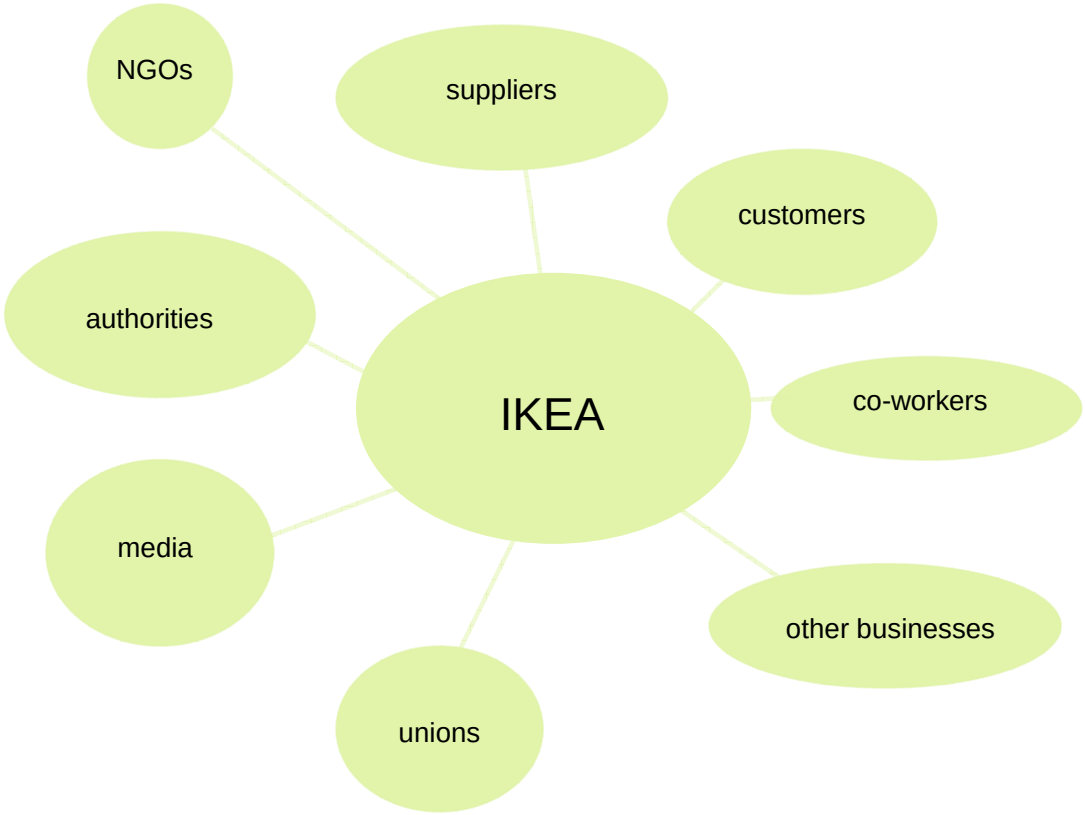



Figure 11: IKEA's stakeholders

The company chooses to interact and partner with many of its stakeholders. Early good experiences on cooperation with NGOs, e.g. with Greenpeace in the early nineties on dealing with the environmental aspects of the IKEA catalogue (Johnson 2006), has made IKEA use partnerships with different NGOs, unions and other businesses as a part of managing social and environmental issues. The result is valuable insight and raised awareness; more of this will be described further on when the history of IKEA's social and environmental work is presented.

Authorities' influence on IKEA's business is evident, especially concerning social and environmental issues. The support unit Legal Affairs in Helsingborg, Sweden handles environmental legislation. Social & Environmental Affairs also uses a database, which the organization Business for Social Responsibility (BSR) provides. It is constantly updated with new or changed environmental legislation (Bergmark 2006).

The media's role in IKEA's business has time and again been to illuminate and investigate the company's social and environmental affairs and issues, often contributing to customer awareness. The affect this stakeholder has on IKEA is clear when looking at the company's social and environmental history (described further on in the report), where media often has played an important role in events that has lead to an increased awareness on social and environmental issues.

# 6 IKEA's environmental management and EMS

All of the social and environmental work that IKEA has done throughout the years, mainly since the mid eighties, has resulted in an EMS that has, in a sense, evolved naturally over time. IKEA is a very unique organization, as is also described in the chapter above, and the company culture promotes an independent way of thinking. IKEA is prone to doing things in their own way as opposed to adapting ready-made structures or standards. IKEA have deliberately made the decision not to certify or register according to e.g. ISO 14001 or EMAS, and they believe they gain from that. The following chapters will describe the different parts of this tailor-made EMS, which will provide a base for our analyses of IKEA's EMS. How has IKEA's EMS evolved into what it is today, and what does this mean to the quality and direction of the company's social and environmental work?

IKEA puts a lot of focus on social issues and on incorporating them with the environmental management. This is why all of the following chapters put an emphasis on including the word *social* with the terms normally used when talking about environmental management. The environmental aspects become social and environmental aspects, the environmental policy is called sustainability direction, the environmental department at IKEA is called Social & Environmental Affairs, and so on.

IKEA's social and environmental management is today structured around the identification of the social and environmental problem areas, the continuous development of goals and action plans for these areas, the implementation of the action plan, and the follow-up of the action plan, which lead to necessary changes for improvement. I.e. a procedure that matches the Deming Cycle structure PLAN-DO-CHECK-ACT, which will be used further on to describe IKEA's EMS and facilitate the comparison to ISO 14001 and EMAS. The EMS is also highly integrated with IKEA's general management system, which can be seen when looking at "Ten Jobs in Ten Years" and the four focus factors for 2007 (described in chapter 5.2, above), where social and environmental issues are incorporated in the general business direction. The social and environmental activities are many and cover various aspects of the company's business. They can range from supply chain approval standards with checklists and audits, to annual environmental reports and regularly updated environmental strategies. To IKEA it is of the essence to incorporate social issues with their environmental agenda, which is not always the case in e.g. EMS standards such as ISO 14001. The importance of a social approach can be seen when looking at the company's social and environmental history.

## 6.1 The history of IKEA's social and environmental work

To be able to understand why IKEA's EMS looks the way it does today, we have to look back in time, even as far back as to the start of the company, although social and environmental aspects weren't really an issue back then. Ingvar Kamprad created an ownership structure and organization for long-term independence and security, and a cost- and resource effective strategy has permeated the whole business from the start. This has since then been a main tactic for IKEA. What it also has meant, apart from good economics, is good environmental economics, long before anyone was interested in this issue. This, along with the fact that the company culture enables investments into new and uncertain territories, gave IKEA an advantage point when finally, certain alarm clocks went off that made them start to think about their social and environmental impact. As described in chapter 2, a global environmental consciousness awoke in the eighties due to a visibility for environmental issues when a large number of environmental disasters occurred. IKEA experienced some public events of their own that put focus on their environmental aspects. The most important ones took place when

- in 1985, the Danish authorities put serious pressure on IKEA when high levels of formaldehyde where found in some products made from wood based materials (IKEA 2005),

- in 1992, a German customer takes the bookcase BILLY to a testing institute and finds excessive amounts of formaldehyde (it was added in the lacquer) (IKEA 2005), and
- in 1994, a TV film called "The Carpet" is aired in Sweden revealing child labour at carpet suppliers in Pakistan (IKEA 2005).

IKEA found themselves pressured by external stakeholders, such as customers, the media and authorities, to take action. Sales dropped significantly whenever an event occurred, e.g the Danish formaldehyde event lead to a 20% sales drop (Johnson 2006), and it made IKEA realize the effects social and environmental issues had on their business and image. The company, which had always been susceptive to societal changes and encouraged new thinking within the organization didn't wait to act.

IKEA's management of environmental and social issues started with these first events. The matter was, during that time, linked to quality management (a fact enhanced by the connection between quality management standards and early environmental management standards, see chapter 3.1) and the quality manager at IKEA at the time, Russel Johnson, was in 1989 assigned as IKEA's first environmental manager (Johnson 2006). His assignment was to identify the environmental aspects that the IKEA business involved, to find out what the company's possibilities were in handling them, and to lead the projects with developing action plans on IKEA's environmental issues (the first one was, naturally, for formaldehyde). But he also had the urgent task of making a draft for IKEA's first environmental policy, which was to be a foundation for the IKEA Group management in discussions and decisions. The need for a policy was an important matter for the top management, and always had a standing point on the monthly meeting agenda. The opinions and attitudes within IKEA on environmental matters at the time were diverse, but the great confusion on these issues was matched in its size by the commitment (Johnson 2006). IKEA's first environmental policy eventually came in 1990. After its distribution throughout the company, new ideas started to stream in, (from all levels, also Ingvar Kamprad was active in discussing the policy) and in 1991 a second policy was decided on. It stated "At IKEA, we shall always strive to minimize damaging effects to the environment, which may result as a consequence to our activities" (Sperber 2004)

Russel Johnson felt he needed to learn more, since he had no prior knowledge on environmental matters. He went about this by attending environmental conferences and networking with well-informed people; e.g. from The Swedish Society for Nature Conservation (SSNC), the Swedish Ministry of Environment (today the Ministry of Sustainable Development), and colleagues from other companies, e.g. the Swedish food retailer ICA (Johnson 2006). He also sought partnerships with different organizations, in order to contribute to IKEA's action plans on different environmental aspects, e.g. with WWF, the World Conservation Union, and Greenpeace regarding forestry in 1992 (Johnson 2006). IKEA was active within many environmental management projects and campaigns during the nineties, e.g they participated in the Swedish work group for FSC-labelling and the network "Utmanarna", where Swedish companies joined forces to spread information on environmental management within the business sector to the Swedish public, and to raise awareness (Johnson 2006). This approach of using co-operation as a tool for developing its social and environmental management is still an important factor for IKEA, and is a big part of its social and environmental work today.

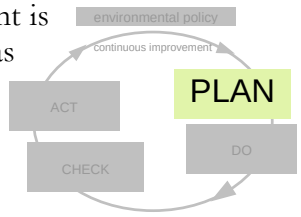
IKEA realized early on that they needed outside help to tackle the new issues they were faced with, especially in developing a systematic process for identifying and handling their environmental aspects. But instead of hiring consultants to perform the job, IKEA asked for help to educate themselves. Just months before the first environmental policy came in 1990, an environmental day for the IKEA Group management was arranged. They were educated on environmental matters, especially on systems for environmental management, by Karl-Henrik Robért, founder of the Swedish environmental organization The Natural Step. The attendees left

the environmental day with new knowledge and perspectives, the event had been a success (Johnson 2006). IKEA from then on continued to focus on educating its top management, which greatly benefited the environmental management within the company. E.g. a two-day management conference (with lectures from e.g. Robért and Swedish Greenpeace's manager Liz Gartwall) in 1992 lead to IKEA's first environmental action plan (which today is called social and environmental strategy) for Financial years 93-96. It was also decided that all co-workers were to be educated on environmental issues. This lead to a massive campaign headed by a work group consisting of members from the different companies within the IKEA Group. An important aspect to the campaign was that it was to be dealt with by manager responsibility, and couldn't be put aside because of lack of time etc (Johnson 2006). The packaged education programme started in 1993 and worked towards integrating the environmental approach throughout the entire IKEA organization, from group management to store co-workers.

In 1993 Russel Johnson left his position as quality manager and could from then on attend to his role as environmental manager full-time. The urgent environmental aspects that had come up since the middle of the eighties (formaldehyde, PVC, packaging, and the catalogue) were now all integrated into the daily work of the effected companies within the IKEA Group. This enabled the environmental work to now become more forward-looking, and not just responsive to outer influences. The environmental department began to deal with topics ranging from waste management, forestry, education, partnerships, networking etc. A pioneering spirit characterized the period, and while the systematic environmental management still hadn't quite evolved, they reached results through finding their own solutions to and ways of dealing with social and environmental issues (IKEA 2005). Using an existing EMS, like ISO 14001 was an alternative rejected since IKEA found it to be more based on documentation than reality and also not good enough as an EMS for IKEA (Bergmark 2006a). The amount of actions made on environmental issues hereafter steadily increased on a yearly basis and, following the 1994 event when the TV-film "The Carpet" was aired, so did actions on social issues (IKEA 2005).

Since then the social and environmental organization within the IKEA Group has grown, as have the number of actions made on these issues, see appendix 2. Today the IKEA EMS is still being developed, new improvement are constantly planned, as IKEA acknowledges that things can always be done better. The following chapter describes the EMS, structured around the four different phases plan, do, check, and act of the Deming Cycle (see chapter 2.1). This is the way we choose to present it, since it gives a clarified overview of a very decentralised system, and it connects IKEA's social and environmental work to the structure of the standardized EMSs ISO 14001 and EMAS.

## 6.2 Plan




The planning of an EMS should start only when the management is fully committed to the environmental work, and after the company has assessed what the current situation looks like, e.g. the environmental impact and relevant regulations. The planning phase includes determining the goals and activities that are needed to achieve results that are consistent with the environmental policy.

### 6.2.1 IKEA's social and environmental commitment

Looking at the history of IKEA's social and environmental work (see chapter 6.1), IKEA's EMS is developed and directed by a strong sense of commitment to the social and environmental issues. All of IKEA's social and environmental work is deeply rooted in the IKEA Vision, the Business idea and the direction pointed out in the document "Ten jobs in ten years". The vision sets the main direction. In order to "create a better every day life for the many people", IKEA have to care about people and the environment (IKEA SECO Group 2006).

Today IKEA feels they have improved their commitment to social and environmental issues and have a good reputation externally as being a company taking responsibility (IKEA SECO Group 2006). They see themselves as proactive company when it comes to social and environmental issues, a view that seems to be shared by a lot of the company's stakeholders (see About IKEA).

IKEA's commitment to the environment has mainly been promoted by factors such as company culture, organizational structure and the way the company responds to outer influences, such as environmental disasters etc. First and foremost, the standpoint has been and increasingly is anchored at top management level, both Anders Dahlvig and his predecessor Anders Moberg have encouraged a serious social and environmental commitment (Bergmark 2006). They have acknowledged the importance of the matter, seen the possibilities, and have put it on top of their agenda. Another important factor is the fact that IKEA isn't a joint-stock company with shareholders. This enables operations and strategies within the organization to be long-term, giving them time to develop. Social and environmental issues have also been given importance due to the fact that IKEA have seen the connection they have to the business (Bergmark 2006). It's good for the money side of a business to make improvements within these areas, there's often big money to save and new markets to earn money in (or less fines to pay). The manager of Social & Environmental Affairs at IKEA Services AB in Helsingborg, Thomas Bergmark, paid attention to this factor when he started his position. He made a point of clarifying the importance of social and environmental matters to business managers within the company, e.g. through workshops and other meetings. The work of his department has therefore gained importance throughout the whole organization.

### 6.2.2 The sustainability direction

One of the most important components of an EMS is the environmental policy, which, if formulated correctly, should drive the direction and awareness on environmental issues, both within the company but also externally. IKEA's first environmental policy was developed in 1990 (as mentioned above) and was decided on by the INGKA Holding Group. The second environmental policy came in 1991 after new ideas and opinions had arisen from all levels the IKEA organization (Johnson 2006). It stated "At IKEA, we shall always strive to minimize damaging effects to the environment, which may result as a consequence to our activities" (Sperber 2004). This policy had a defensive and reactive approach and when preparing their social and environmental strategy for FY 06-09, IKEA formulated a new policy, a *sustainability direction* (Bergmark 2006). It was worked out during a very reflective process, a lot of thought and work went into formulating it and the process was characterized by many discussions. The main focus in making a new kind of policy was for it to reflect IKEA's proactive approach to the social and environmental issues, as opposed to the old reactive environmental policy. The main key words used during the work process were humans and environment. This highlights IKEA's wish to incorporate, and place on an equal footing, social issues with its environmental work, an aspect that still is missing in the standards ISO 14001 and EMAS. It was also important for IKEA to incorporate business and the offensive direction. The sustainability direction is often debated and will be reviewed and, if necessary, revised in connection to the each new strategy. It is formulated, though, to be a policy that is general and encompassing enough to stand the test of time (Bergmark 2006). The sustainability direction states that in a consumer society with a growing and international business, the long-term sustainability direction is that: "the IKEA business shall have an overall positive impact on people and the environment" (IKEA SECO Group 2006). The direction is based on how IKEA sees its abilities as a global business. They will have both positive and negative impact on people and the environment, and IKEA works out of the conviction that it is, on a long-term basis, fully possible to have a balance with more positive than negative impact as step by step they will implement better solutions and alternatives (IKEA SECO Group 2006).

### 6.2.3 The social and environmental aspects

Ever since the start up of IKEA's environmental management in the late eighties, the company have analyzed their environmental aspects. But IKEA decided to identify all of its social and environmental aspects in 2003 (IKEA SECO Group 2003; Bergmark 2006) through a global analysis, in connection to a SECO Group meeting. The analysis covered the whole IKEA Group business (Bergmark 2006) and was carried out by way of workshops and discussions which resulted in a clarified view on the company's social and environmental aspects. This made it possible for the group to distinguish the areas that needed to be prioritized. Six *focus areas* were settled upon on IKEA Group level (IKEA SECO Group 2006):

- products and services
- suppliers
- energy and transport
- building and infrastructure
- community involvement
- leadership and competence

The focus areas give structure to IKEA's social and environmental work and are used when preparing the Social & Environmental strategy. They are most likely to remain the prioritized areas for the coming strategies. The development of IKEA's social and environmental focus can be seen when these are compared to its predecessors from the earlier strategies: environmental adaptation of products and material, forestry, transport and warehousing, environmental work at suppliers and at stores etc (IKEA International A/S 2001; IKEA 2005). I.e. the same topics have been in the spotlight when it comes to IKEA's social and environmental concern. The six focus areas of today contribute to a categorization of the different topics, as well as a visualization of the distribution of responsibility throughout the organization.

### 6.2.4 The social and environmental strategy

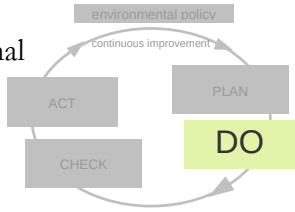
IKEA's first Environmental Action Plan (now called the Social & Environmental Strategy) came, as described in chapter 6.1, in 1992 and it covered FY93-96. Since then IKEA has developed new strategies every three years, with the goal to achieve continuous improvement.

In developing each new strategy IKEA evaluates its own position on social and environmental issues. The last Social & Environmental Strategy was delivered in February 2006 and it covers the FY from 2006 to 2009. It outlines the sustainability direction and the three guiding statements; the IKEA vision, the business idea and "Ten Jobs in Ten Years". The strategy then goes on to define the social and environmental scope and outlines the main goal for each of the focus areas. The six focus areas are a way for IKEA to structure their social and environmental work, and it is within these prioritized parts that goals are set and actions are planned and implemented. The contribution of the Social & Environmental Strategy to their businesses is also an important part that is described in the strategy, another example on how IKEA integrates social and environmental issues into the general management. The goals and actions are then listed. The goals are chosen and formulated so that they have good measurability, if practical. E.g. "75 weight-% of renewable materials used in our home furnishing products" and "70% of customers responding positively to IKEA as 'responsible towards the local community' in Market Capital" are goals for FY06-09. This means that they can easily be evaluated and IKEA gain an increase in control on its achievements within social and environmental issues (IKEA SECO Group 2006). The needed activities for achieving the goals are then listed.

The Social & Environmental Strategy also reports on stakeholder confidence in IKEA. An evaluation is based on surveys, which are carried out among the company's three most important stakeholders: co-workers, customers and suppliers. The questions evolve around the statement

"IKEA is a company that shows in action that it takes social and environmental responsibility". This is a way for IKEA to set goals for stakeholder confidence (IKEA SECO Group 2006).

## 6.3 Do




The do phase of an EMS involves defining the organizational structure for the management of environmental issues, assigning responsibility, identifying training needs, implementing the activities needed to achieve the planned goals, and communicate (both internally and externally) (Kolk 2000).

### 6.3.1 The social and environmental organization

The social and environmental work is handled on several instances within the IKEA Group organization, although Social & Environmental Affairs at IKEA Services AB in Helsingborg, Sweden, direct the entire IKEA Group approach and work on these issues. IKEA works to integrate their social and environmental strategies vertically throughout the organization by placing social and environmental responsibilities in the different companies, staff units and stores of the IKEA Group.

#### 6.3.1.1 IKEA Social & Environmental Affairs

Today all of IKEA's social and environmental aspects are, first and foremost, managed by the support unit Social & Environmental Affairs. Their main tasks and responsibilities are to co-ordinate the work on these issues within the IKEA Group with the following priorities (IKEA Services AB):

- Implement and follow up the Social & Environmental Strategy.
- Communicate social and environmental issues, internally as well as externally.
- Build and develop external networks with different stakeholders, e.g. NGOs, other businesses, authorities, and unions.

#### 6.3.1.2 The Social & Environmental Co-ordination Group (SECO)

The Social & Environmental Co-ordination Group (SECO) was formed during the late nineties and consists of members with responsibilities on social and environmental issues from different companies and staff units within the IKEA Group. It is a work group headed by the manager of Social & Environmental Affairs with the agenda of discussing and developing IKEA's social and environmental issues and approach. They meet roughly every quarter and go through different topical aspects of the Social & Environmental Strategy (Schneider 2006).

#### 6.3.1.3 Environmental managers

As described above, IKEA appointed its first environmental manager in 1989, Russel Johnson. He was still also quality manager until 1993, when he became a full-time environmental manager. He was succeeded by Susanne Bergstrand in 1998, but stayed on as senior advisor until his retirement in 2002. The social and environmental manager of today, Thomas Bergmark, is responsible for heading the work that is being done at IKEA Group level.

Today the IKEA Group companies IKEA Services AB, Retail, IKEA of Sweden, Trading, Swedwood, and IKEA Svenska Försäljnings AB all have at least one environmental manager. Their responsibility is to handle the social and environmental aspects of their company's business, and to implement the goals and actions that Social & Environmental Affairs set up in their Social & Environmental Strategy by developing an action plan for their area of business (Bergmark 2006).

#### 6.3.1.4 Environmental co-ordinators

The social and environmental work of each store and distribution centre in the countries where the IKEA Group is a franchiser is co-ordinated by a full-time national or, in the case of distribution centres, regional environmental co-ordinator (IKEA Services AB 2006). He or she is responsible for the implementation of IKEA's social and environmental strategy in IKEA units. The responsibility involves setting up a national social and environmental strategy, with goals and actions, adapted to the IKEA units in that country or region, which builds on the Social & Environmental Strategy that Social & Environmental Affairs put together.

Each store and distribution centre has in its turn a full-time or part-time environmental co-ordinator who is responsible for the implementation of these actions (IKEA Services AB 2006). The work is monitored by the IKEA Group through the reporting of Key Performance Indicators (KPIs) and reviews (see Commercial Review and Distribution Unit Review below) (Larsson 2006).

There are also environmental co-ordinators at IKEA of Sweden in Älmhult and at other supply chain units (IKEA Services AB 2006).

#### 6.3.1.5 The IWAY Council

The internal group, formerly known as IKEA Environmental Council, was put together in 1998 (IKEA 2005) and consists of members from different parts of the IKEA organization. It was formed due to a raised concern about child labour, and IKEA wanted to find a way to work with their suppliers on this topic (Barner 2006). Today the IWAY Council's responsibility lies in developing IKEA's own codes of conduct, which concerns both social and environmental issues. The documents are called The IKEA Way (IWAY) and as of today they cover furnishing suppliers (IWAY Purchasing Home Furnishing Products, launched in 2000), distribution services suppliers (IWAY on Distributing Home Furnishing Products, launched in 2005), food suppliers (IWAY on Purchasing Food, launched in 2002). A special document for child labour was also launched in 2000, called IWAY on Preventing Child Labour. These codes of conducts are described later in the report.

#### 6.3.1.6 Managers on social issues

Marianne Barner was appointed Children's Ombudsman on IKEA Group Level in 1999. The position involves ensuring that IKEA maintains a clear focus on issues concerning children's rights, and that the company complies with the UN Convention on the Rights of the Child from 1989 (IKEA Services AB 2006). IKEA also has a co-worker placed in India, assigned to work on child labour issues in South East Asia (IKEA Services AB 2006).

### 6.3.2 Social and environmental focus areas and activities

As mentioned above, IKEA's six social and environmental focus areas cover IKEA's social and environmental aspects. To get a view on what IKEA is actually doing to tackle these challenges, a presentation of some of their social and environmental activities will follow, divided into the focus area that we relate it to. IKEA focuses on two main types of activities: the work with the IKEA code of conducts, which sets requirements for suppliers and sub-suppliers, and projects and activities that respond to specific needs (IKEA Services AB 2006). The activities are what IKEA actually does in order to achieve the goals they set in each new Social & Environmental Strategy. Quite often goals and activities benefit more than one focus area, the line between them is often blurry, but they will be presented under the focus area that we mostly connect it to.

#### 6.3.2.1 Products & Services

The products that IKEA creates can have a direct impact on the health of the user, and also on the environment and on the worker who manufactured it. Strict requirements need to be met,

both on customer demands such as durability, and design and usage value, as well as statutory demands on issues such as safety, the environment, materials and product marking (IKEA Services AB 2006). All of IKEA's products must live up to these standards, but they are also restricted by demands that IKEA themselves put on them, in order to fulfil the company's vision and business idea.

This focus area has been important to IKEA for decades, since the first public events with formaldehyde took place in the eighties (described in chapter 6.1, above). It deals with environmental aspects such as use of hazardous materials, resource depletion and energy use. IKEA acknowledges these aspects by a number of actions, e.g. increasing the use of hazardous materials (such as nickel, solvent-borne lacquers and PVC), developing and encouraging solutions which minimize material use (hollow legs instead of solid legs etc.), using renewable and recycled raw materials as much as possible (e.g. by making flower pots made from diapers!), and adapting a system for the design process (the eWheel is described below) (IKEA Services AB 2006).

The Social & Environmental Strategy sets the main goal that "products and materials shall always be environmentally adapted and safe from a health perspective" (Corporate PR 2006). The strategy's contribution to IKEA's overall business is that the company will be able to meet the customer's expectations on "good and healthy" products, which they feel is a requirement for long-term growth. The business will also benefit from stakeholder trust and the utilisation of available resources in the best way.

The earlier strategies for the same area focused mostly on the health issue (e.g. a goal for FY 02-05 stated that 100% of the top 100 products and different range categories were to have a health profile), knowledge within the product design process (implementing a staircase approval model for environmentally adapted products in FY02-05), and transparency towards customers and co-workers (providing them with environmental and health product information in FY02-05). The new strategy involves a change towards matters concerning energy and material use.

The actions made within this focus area are presented below, they focus mainly on product development.

#### 6.3.2.1.1 Using the precautionary principle

To reduce the use of hazardous materials and substances in their products, IKEA adapts the *precautionary principle*. It sets the highest restrictions, and materials that do not fulfil the requirements are phased out. The system is controlled by random testing done by independent parties (IKEA Services AB 2006).

#### 6.3.2.1.2 Risk analysis

IKEA uses risk analysis as a way to detect possible hazards, both during the design and production process of a product, to promote quality and safety within the IKEA range (IKEA Services AB 2006).

#### 6.3.2.1.3 Testing

All IKEA products are tested, approved and documented both before they land in the stores and after. The use-and-abuse tests are performed in both internal and external laboratories, in accordance to international standards. IKEA's own laboratory is ISO 17025 certified and regularly audited by independent auditors (IKEA Services AB 2006).

#### 6.3.2.1.4 The eWheel

IKEA's approach to product development is to make the best possible product by using the smallest amount of resources (Corporate PR 2006). To understand and evaluate the environmental impact of products, IKEA has designed the eWheel (see figure 12), an IKEA

method used in the process of developing new products, at IKEA of Sweden in Älmhult. Considering a life cycle perspective when designing and developing all products makes it easier to see where the most significant environmental impact of a product is. The eWheel shall be used in the beginning of the product development process.

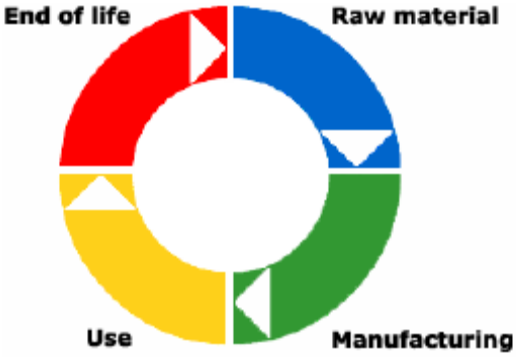



Figure 12: the eWheel model (Inter IKEA Systems B.V. 2004)

In addition to functional qualities, the choice of the raw materials must be considered from a health point of view and as far as possible be environmentally friendly. Using renewable materials and minimizing the amount of materials are two important aspects with the challenge of still keeping the function of the product. The use of chemicals like glue, paint and lacquer shall be minimized.

Almost 50% of IKEA's products are made from wood or wood fibre. This explains the company's extensive focus on the sourcing of wood and finding methods on effective recycling. Wood from intact natural forests or forests with a clearly defined high conservation value are not accepted as raw material in IKEA products (Corporate PR 2006). The long-term goal for IKEA is to have all wood in the IKEA range from third-party verified, well-managed forests. The only current standard that meets this goal is that of the Forest Stewardship Council (FSC). A staircase model shows IKEA's criteria for timber suppliers. Other main raw materials used in IKEA products are metal, plastic, glass, rattan and textiles.

The manufacturing aspect of the model deals with the issue of IKEA's suppliers. They must all fulfil the requirements of IWAY, IKEA's code of conduct, further described in the following chapter. To minimize emissions to water, air and ground the production technology shall be as clean as possible and also efficient in terms of energy, water and material. As far as possible, the least harmful chemical shall be used if chemicals must be used in the production (IKEA of Sweden AB 2002).

Developing products according to eWheel involves securing that the product is sound for usage. Products must be free from irritating substance, which could cause allergies. Other substances potentially harmful to people's health or the environment during the usage phase are not allowed (Corporate PR 2006). Striving for low indoor emissions and making the product easy to clean without chemicals are other aspects to be considered (IKEA of Sweden AB 2002).

To facilitate the recycling of the product at the end-of-life phase according to eWheel, the product shall be properly labelled and easy to disassemble (IKEA of Sweden AB 2002).

#### 6.3.2.1.5 Handbooks, guides, rules and specifications

IKEA keeps an extensive database containing all of its handbooks, guides, rules and specifications on the IKEA Inside intranet. The company uses these documents to co-ordinate

their production process and to make sure that social and environmental regulations and strategies are met. Examples of these types of documents are chemical compounds and substances specifications, marking specifications, test methods specifications, eWheel guide, rule for formaldehyde in wood-based materials, and declaration of compliance for ceramic articles in contact with foodstuffs (The IKEA Group 2006).

#### 6.3.2.1.6 Recall management

Products that, in spite of the quality and safety approval systems, is found to fail IKEA's requirements after they've been placed in the stores are recalled. The process involves stopping sales and informing customers (IKEA Services AB 2006).

### 6.3.2.2 Suppliers

IKEA's supply chain is extensive, and reaches many corners of the world. The working conditions and environmental aspects at the suppliers' often depend on the region; social issues are mostly a big challenge in Asia and Eastern Europe. Today the majority of IKEA's suppliers are still situated in Europe, although China is the company's top purchasing country (see figure 13).

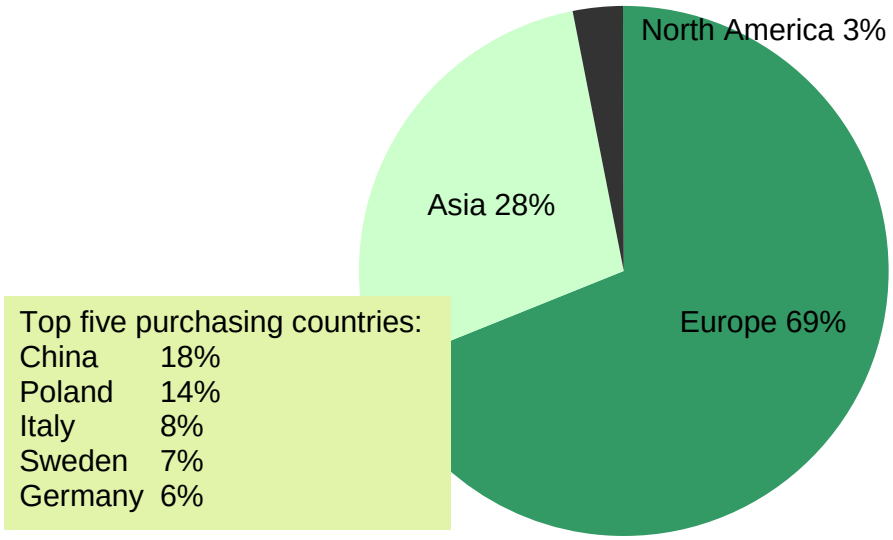



Figure 13: Purchasing by region ((IKEA Services AB 2006)

IKEA sees the ongoing process of moving its production and other businesses to less developed countries as a challenge, thus the importance of securing sustainable conditions at the suppliers. In spite of the environmental and social challenges, IKEA's experience so far of doing business in emerging economies is overall positive, of course due to factors such as decreasing production costs etc, but they have also seen that it benefits the communities and society at large (IKEA Services AB 2006). The company states in its Social & Environmental Responsibility report that "IKEA believes in safe, healthy, non-discriminatory working conditions and the protection of the environment at our suppliers as a prerequisite for doing good business" (IKEA Services AB 2006). The focus area involves several social and environmental aspects, such as child labour, hazardous substances, waste and energy use, foresting etc.

The Social & Environmental Strategy states "IKEA shall secure good social, working and environmental conditions at its suppliers, and increase the suppliers' own capability and motivation to implement and maintain our demands as specified in IWAY". This main goal

guides the works IKEA does when focusing on suppliers (IKEA SECO Group 2006). The business benefit to this focus area would come from meeting the customers' expectations on responsibly manufactures products, which increases the brand loyalty and in the end leads to sales growth. The improved conditions at suppliers will also lead to a more cost-effective production.

Over time, the strategies have broadened the range of suppliers' that IKEA put requirements on, to involve not only forestry and furnishing suppliers but also distribution service providers, Swedwood, food suppliers, and indirect material and services suppliers. Previous strategies have set up goals partly for forestry; e.g. using a staircase model for solid wood suppliers, co-operating with NGOs on projects and supporting education for the benefit of sustainable forestry, performing audits on sub-suppliers of wood, researching non-solid wood material, and developing a GMO (Genetically Modified Organisms) policy. Goals were also set on suppliers' environmental work and social conditions; requiring all suppliers to reach the minimum level according to IWAY on Purchasing Home Furnishing Products, and using staircase models for requirements on outside environment and social and working conditions.

IKEA's suppliers range from home furnishing manufacturers and distribution providers, to travel agents and hotels. To be able to achieve social and environmental goals concerning suppliers, IKEA has developed their own codes of conduct (the IWAY documents) stair case models and other checklists.

#### 6.3.2.2.1 IWAY on Purchasing Home Furnishing Products

To have IKEA products manufactured in a responsible way and to promote long-term relationships with its suppliers, IKEA has established a code of conduct, The IKEA Way on Purchasing Home Furnishing Products (IWAY on Purchasing Home Furnishing Products). It was developed by the IKEA Group's IWAY Council, which used information from several actors, including other businesses, the ILO (International Labour Organization), universities, and persons with knowledge on issues concerning trading in Asia, policy making, and child labour. Several proposals were processed by the council and the different actors and in 2000 the code of conduct was launched (Barner 2006). The social and environmental demands in the documents are to be fulfilled by all suppliers of home furnishing products, worldwide and defines what IKEA requires from suppliers, but also what the suppliers can expect from IKEA (IKEA Services AB 2006). The framework for the documents is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, the ILO declaration from June 1998, and the Rio Declaration on Sustainable Development 1992 (IKEA Services AB 2005). Today it is one of the most important tools for IKEA's social and environmental work.

What this code of conduct means in practice is that all potential IKEA suppliers must fulfil the start-up requirements before endeavouring on a business relationship with IKEA. The start-up requirements are (IKEA Services AB 2005):

- no forced or bonded labour,
- no child labour
- no wood from intact natural forests or high conservation value forests. Timber origin must be known for IKEA products containing solid wood, veneer, plywood and layer glued wood (IKEA Services AB 2005a).

The supplier also has to make an action plan with a time-frame for fulfilling the rest of the IWAY demands (IKEA Services AB 2005):

- To comply with national laws and regulations and with international conventions on social and working conditions, child labour (see IWAY on Preventing Child Labour, below) and the protection of the environment.

- To respect fundamental human rights and treat work force fairly and with respect.
- To provide a healthy and safe working environment, pay at least the minimum legal wage, compensate for overtime, and ensure reasonable privacy, quietness and personal hygiene in housing facilities.
- To not make use of child labour (see IWAY on Preventing Child Labour, below), forced or bonded labour.
- To not discriminate, use illegal overtime, prevent workers from associating freely with any workers' associations or group of their choosing or collective bargaining, or accept any form of mental or physical disciplinary action.
- To work to reduce waste and emissions to air, ground and water, handle chemicals in an environmentally safe way, handle, store and dispose of hazardous waste in an environmentally safe manner, contribute to the recycling and reuse of materials and products, use wood from known areas and, if possible, from sources that are well managed and preferably independently certified as such.
- To not use or exceed the use of substances forbidden or restricted in the IKEA list of "Chemical Compounds and Substances", or use wood originating from national parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.
- To effectively communicate IKEA's IWAY on Purchasing Home Furnishing Products to all sub-suppliers and co-workers and ensure that all measures required are implemented accordingly.
- To improve in the right direction with an agreed plan of action, within an appropriate time-frame, if non-compliance is found. IKEA will terminate the co-operation if repeated violations of the requirements occur.

All requirements are more detailed in the IWAY standard, which also describes the IWAY approval procedure. The compliance with and maintenance of the IWAY demands are monitored through audits on several levels. The supplier has to make internal audits at least once a year, but IKEA also regularly audits the supplier. The IKEA Trading Service Offices around the world are responsible for supporting and monitoring the suppliers, and makes regular audits. The Compliance and Monitoring Group (CMG), which is situated at Social & Environmental Affairs in Helsingborg, has also been formed by the IKEA Group to support and follow up on the Trading Services Offices. They will regularly perform calibration audits with staff from the Trading Services Offices as well as with external auditors. The group evaluates the internal routines for managing IWAY within the trading area, and assesses if more/other resources or competence is needed. IKEA also reserves the right to assign independent third-party organizations to check on suppliers (IKEA Services AB 2005).

#### 6.3.2.2.2 IWAY on Preventing Child Labour

IKEA puts special emphasis on the battle against child labour. The IWAY on Preventing Child Labour is a part of the overall document IWAY on Purchasing Home Furnishing Products, but also exists as an independent document that can be used to make IKEA's position clear to other stakeholders, apart from home furnishing suppliers. All suppliers are to comply with the requirements put in IWAY on Preventing Child Labour. The general principle is founded on the UN Convention on the Rights of the Child, and ILO's two conventions on minimum age and the worst forms of child labour (IKEA Services AB 2005).

The code of conduct requires that all suppliers (IKEA Services AB 2005):

- implement all actions necessary to avoid child labour, taking the child's best interests into account
- recognize the UN Convention on the Rights of the Child
- comply with all the relevant national and international laws, regulations and provisions applicable in the production country
- take the appropriate measures to ensure that no child labour occurs at suppliers' and their sub-suppliers' place of production
- implement a corrective action plan, if child labour is found in any place of production, within an agreed time-frame. This corrective action plan shall take the child's best into consideration, ensuring good conditions for the family-, social-, and education situation. Special care shall be taken to ensure that the child is not merely transported from one supplier to another, but to enable viable and sustainable alternatives for the child. If this violation is repeated, IKEA will terminate the business with the concerned supplier.
- effectively communicate the content of IKEA's IWAY on Preventing Child Labour to all of its sub-suppliers and co-workers, and ensure that all requirements are implemented accordingly
- treat young workers (i.e. workers of legal working age under the age of 18) according to certain demands, ensuring that they are protected from any type of employment or work which is likely to jeopardize their health, safety or morals. This includes taking measures to avoid employment during school hours and establishing appropriate limits for working hours and overtime.
- maintain documentation for every worker that verifies the worker's date of birth, using appropriate assessment methods as per local practice an law if no such official documents are available
- keep IKEA informed at all times about all places of production intended for IKEA goods, including those of sub-suppliers. IKEA reserves the right to make, or assign an independent third party to conduct, unannounced inspections at these places in order to ensure compliance with the code of conduct.

#### 6.3.2.2.3 IWAY on Distributing Home Furnishing Products

The IKEA Way on Distributing Home Furnishing Products is IKEA's code of conduct towards providers of logistical services. It was developed by the IWAY Council and the Supply Chain unit at IKEA Services AB, and was launched in 2005. It sets the same minimum requirements, demands, and procedures as IWAY on Purchasing Home Furnishing Products (IKEA Services AB 2005).

#### 6.3.2.2.4 IWAY on Purchasing Food

IKEA sells food in its stores, both in the restaurants and in the IKEA Sweden Shops/Food Markets. It is important to IKEA that it is of high quality and produced in an ethical manner. The IWAY on Purchasing Food puts requirements on food suppliers concerning quality, ethical production, compliance with legal requirements, animal husbandry, and GMOs. IKEA also prefers to choose organically grown products over others when they are commercially available (IKEA International A/S 2002).

#### 6.3.2.2.5 IWAY on Sub-suppliers

IKEA is also developing a strategy for introducing IWAY in the sub-supplier chain. A sub-supplier can be someone who produces an IKEA article, which an IKEA supplier then packages.

This means that it is important to view these kinds of sub-suppliers as ordinary IKEA suppliers (IKEA Trading 2003).

#### 6.3.2.2.6 Forestry Staircase Model

Only a fifth of the Earth's original forests, called intact natural forests (INFs) remain today. As a buyer of large quantities of wood, IKEA have an impact on the essential functions that the world's forests bring to the environment; balancing water cycles, storing carbon, and housing animals and plants (IKEA Services AB 2003). IKEA therefore recognizes forestry as a environmental and social aspect, and put demands on suppliers of wood products according to the IKEA Forestry Staircase Model (IKEA Services AB 2003), see figure 14.

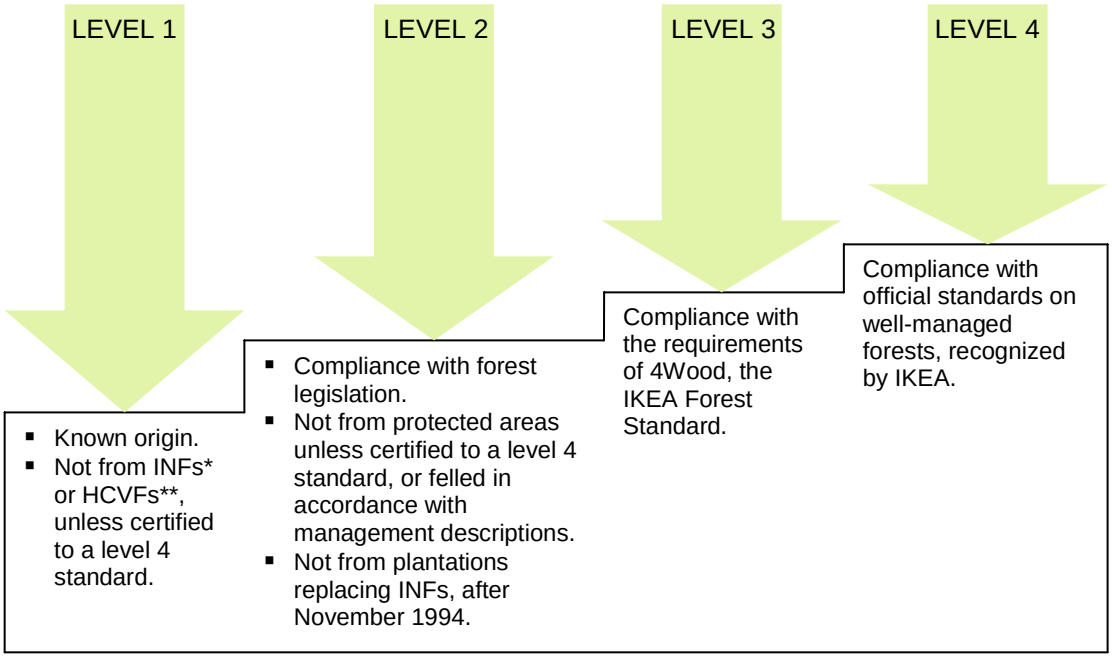



Figure 14: IKEA Staircase model for solid wood, veneer, plywood and layer glued wood (IKEA Services AB 2003). * Intact Natural Forests. ** High Conservation Value Forests.

Level 1 sets the requirements for the start-up of the business relationship between IKEA and the supplier. It demands that the origin of wood is known, that wood doesn't originate from INFs or high conservation value forests (HCVFs), and that high value tropical tree species (e.g. teak or mahogany) are certified according to the FSC standard or another level 4 standard (i.e. official standards that verify if a forest is well-managed) that IKEA recognizes (IKEA Services AB 2003). Level 1 also requires that the suppliers make an action plan to achieve level 2.

Level 2 sets the minimum requirements that existing IKEA suppliers must fulfil. It demands that wood must be produced in compliance with national and regional forest legislation and other applicable laws, that it does not originate from protected areas (.i.e. national parks, nature reserves etc), unless it is certified according to a level 4 standard or felled in accordance to management prescriptions for the protected area, and that it does not originate from plantations in the tropical or sub-tropical regions which replaced INFs after November 1994 (IKEA Services AB 2003). If new suppliers don't comply to this level they have to make an action plan which sets a deadline for compliance within three months.

Level 3 is guided by the IKEA Forest standard 4Wood. It was developed by the company to promote a transition between level 2 and level 4. The requirements of 4Wood deal with wood procurement and forest management. This level could also be met by certification according to standards that IKEA sees as equivalent to its own (IKEA Services AB 2003).

The highest requirements are met when a supplier complies according to level 4. This means that the wood comes from well-managed forests, and that this is verified by a standard approved by IKEA. The standard must set up performance requirements developed by experts on the subject (environmentalists, economists, NGOs etc), and be verified by external parties. Today IKEA only accepts the FSC standard as a valid Level 4 standard (IKEA Services AB 2003).

The work with the IKEA Forestry Staircase also involves providing information. Suppliers must inform IKEA on their wood sources through a questionnaire called IKEA's Forest Tracing System (FTS). The supplier must also support audits made by IKEA or external parties (IKEA Services AB 2003).

#### 6.3.2.2.7 Environmental Evaluation of Suppliers pertaining to Transportation of Goods and Personnel

There are many environmental aspects due to IKEA co-workers travelling and lodging all over the world, e.g. energy and material use. IKEA evaluates and puts requirements on suppliers of air travel, hotel, and rental cars in the document Environmental Evaluation of Suppliers Pertaining to Transportation of Goods and Personnel (IKEA Services AB 2003). It evaluates suppliers on grounds of:

- identifying of environmental aspects,
- having programmes and measurable objectives for reduction of environmental impacts
- reporting on environmental loads
- training of staff on environmental matters
- having an environmental policy
- publishing an annual environmental report
- having routines for assuring compliance with legal requirements
- having emergency plans
- having an environmental management system, and if it is certified by ISO 14001, EMAS or other
- willingness to meet IKEA for presentation or audits
- evaluating sub-contractors on environmental matters
- putting environmental demands on sub-contractors

### 6.3.2.3 Energy & Transport

Global warming has become a hard fact rather than a theory in the last couple of years, and nowadays it's not just government legislation that regulates the area but also everyday people that are seeing their responsibility, often as customers. IKEA is in the business of selling products, which often have been distributed from suppliers in one corner of the world to their stores in another corner, to customers who mostly travel some distance by car to the outskirts of their nearest city. IKEA acknowledges their contribution to climate change as a global company and sees their environmental aspects of energy use and transportation as very important. Today they are working with strategies to reduce $CO_2$ emissions, which are mainly caused by heating/cooling and transports of goods, customers and co-workers.

The strategy for Energy & Transport is guided by the main goal "IKEA shall employ and promote sustainable transport and energy use". Three business benefits can come due to the strategy; meeting expectations on climate change responsibility will lead to customer loyalty and sustained sales growth, using less energy and more efficient transportation solutions will save on

costs, and having an proactive approach will support sustainable and cost efficient new legislation and incentives on transport issues. Goals are set for $CO_2$ emission, renewable energy etc (IKEA SECO Group 2006).

Today a major part of the total energy use comes from heating, cooling and supplying electricity in buildings. IKEA want's to go in the direction of independence from fossil based energy for electricity and heating, according to Andres Dahlvig (Dahlvig, Rasmusen et al. 2006). The focus area of Energy & transport has increased in importance within the company and IKEA are developing actions to reduce their contribution to climate change.

#### 6.3.2.3.1 IKEA Goes Renewable

An action has recently been developed that is to cover all of IKEA's different kinds of buildings, called IKEA Goes Renewable (IGR**)**. The goal is that the stores, warehouses, offices and Swedwood units shall be supplied with 100% renewable energy only for electricity and heating by FY11. To reduce IKEA's impact on climate changes further, the company's overall energy consumption shall be reduced by 25%. This will be done by improving the operations and by investing in technical solutions on renewable energy and energy efficiency. During FY 07/09 an analysis will be made and presented to the IKEA Group Management and the INGKA Board for support and final decisions. In addition to the environmental gain IKEA believes this action will bring long-term financial savings as well as strengthen the IKEA brand among customers and co-workers (Dahlvig, Rasmusen et al. 2006).

#### 6.3.2.3.2 Indirect Materials & Services' Supply Strategy ENERGY

IKEA Indirect Materials & Services (IMS) are responsible for the purchase of all products and services intended for IKEA's internal use (Franke Group 2005). The amounts of electricity, gas, oil and wood used to heat and light buildings, and to process goods, are large, but there is no global co-ordination within IKEA for buying energy. The national representatives responsible for this often have a low level of purchasing expertise and there is often little control over the consumption of energy in IKEA buildings (IKEA Indirect Materials & Services (IMS) 2006). As a way to address this problem and reduce both their environmental impact and their costs due to energy use, IMS have recently developed the Supply Strategy ENERGY. The company also connects this strategy with benefits such as meeting new directives on energy issues from authorities (e.g. the EU Energy Performance of Buildings directive and the EU Green Paper on Energy Efficiency). The strategy aims to centralize and co-ordinate the energy and emissions management of the IKEA Group and (IKEA Indirect Materials & Services (IMS) 2006):

- increase the share of consumed energy from renewable sources
- reduce the amount of energy used per $m^3$ sold goods
- reduce cost relative to market price (wholesale price)

The strategy sets up short term goals and activities that are to be achieved and implemented during FY07 (e.g. more than 50% of energy consumed by IKEA is to be provided by renewable sources) and medium to long term goals and activities for FY08-10 (e.g. more than 60% of energy consumed by IKEA is to be provided by renewable sources and suppliers delivering products for over €1 million are to be IWAY approved). It also describes the components of a "toolbox" that is needed to co-ordinate the energy purchasing, e.g. education and training in language, energy management etc (IKEA Indirect Materials & Services (IMS) 2006).

#### 6.3.2.3.3 Checklist on Energy & Emissions Management

IKEA Indirect Materials & Services has also developed the Checklist on Energy & Emissions Management to meet the goals that IKEA has set to reduce relative consumption by 25% in FY07, compared to FY05, and to have 100% renewable energy by FY11 (see the IGR project,

described above) (IKEA Indirect Materials & Services 2006). It is to set the minimum requirements for all existing stores and distributions centres. The checklist is closely connected to the Commercial Review and the Distribution Unit Review (described in Buildings & Infrastructure, below), and these audits will monitor the adherence to the checklist. The checklist aims to:

- improve the management of energy and emissions in all stores and distribution centres
- make it easier to assess the status of energy and emissions management at all stores and distributions centres
- make it easier to communicate learning from one store or distribution centre to another
- make it easier to create and monitor a reduction plan for the whole of IKEA
- make it easier to work with external advisors on energy and emissions management

Areas of requirements that the stores and distribution units are to follow range from management, lighting, ventilation, building insulation/air tightness, heating and cooling, electrical equipment, greenhouse gas emissions, and performance (IKEA Indirect Materials & Services 2006). Consistent with the procedure in the Commercial Review and the Distribution Unit Review, each store or distribution centre will receive points within each area, which makes it possible for IKEA to monitor performance by KPIs.

#### 6.3.2.4 Buildings & Infrastructure

IKEA values good housekeeping. This means basic, methodical work with environmental benefits in each IKEA building, especially the stores and distribution centres (IKEA Services AB 2006). The focus area deals with environmental aspects that occur during an IKEA building's whole lifetime, such as $CO_2$ emissions, energy sources, waste management, and energy consumption. It is also especially important since it involves challenges that IKEA have to face with its endeavour to expand and build new stores around the world. For IKEA, taking measures within these issues involve clearly expressing, implementing (at the planning stage) and following up requirements and recommendations concerning e.g. choice of materials, waste management, energy supply, and infrastructure solutions.

In the Social & Environmental Strategy the main goal for Buildings & Infrastructure is "IKEA establishments shall be the good example regarding environmentally adapted technology and infrastructure solutions" (IKEA SECO Group 2006). The benefits to the business will come from increased opportunities to expand and creating a better foundation for cost savings and operational efficiency. Goals are set for buildings that are to be certified according to an IKEA environmental building standard.

To achieve their goals within the focus area, IKEA has developed several kinds of actions, which extend the objectives of IKEA Social & Environmental Affairs down to store and distribution centre level.

##### 6.3.2.4.1 Good Housekeeping Competition

In 2005 all IKEA stores and distribution centres had the possibility to participate in the Good Housekeeping Competition. Goals of the competition included raising the awareness, foremost among co-workers, about environmental impacts due to waste, to minimize the generated waste, increase the recycling efficiency, and to reduce waste management costs (IKEA Services AB 2006).

##### 6.3.2.4.2 Commercial Review – Environmental and Recovery

The "Commercial Review" is one of IKEA's most important tools. It's an annual internal audit that the company uses to monitor and evaluate the status of the IKEA stores, in concern to different aspects. One part of the Commercial Review is called Environment & Recovery, which provides a checklist for the evaluation of each stores environmental performance. Recovery is big part of the environmental work that the IKEA stores are responsible for, since it deals with waste management. Building on the old IKEA philosophy of resource management, each IKEA store have for long attempted to repair damaged products rather than simply scarp them (IKEA Services AB 2006). The products can then be used as spare parts or sold as bargains. The Environment & Recovery checklist even starts of with the statement "Waste of resources is one of the greatest diseases of mankind – recovery is about turning problems into opportunities!" (IKEA Services AB 2003). This is a statement very in line with the IKEA way of thinking. The review monitors how well each store is doing on (IKEA Services AB 2003):

- Environmental organization (e.g. each store should have an environmental co-ordinator and working group)
- Environmental tools/information (e.g. each store should have an action plan and report KPIs)
- Environmental results (e.g. each store should sort all of their waste and provide a take-back service for low energy bulbs, fluorescent light tubes and batteries)
- Recovery organization (e.g. each store should appoint a recovery manager to lead and report on the recovery work)
- Recover tools/information (e.g. each store should implement the IKEA Recover process and make an action plan to increase the Recovery index)
- Recovery results (e.g. each store should reach an annual accumulated Recover index of 70% and make a Recovery profit and loss analysis)

The evaluation is done by IKEA's own Commercial Review specialists (e.g. national environmental co-ordinators, environmental managers etc) during a store visit, which includes a tour and presentation of the store, a going through of the checklist and a discussion. All in all 39 environmental requirements are set up in the checklist, and each store receives points depending on how well they are doing to fulfil each requirement. Those stores who fail to pass the review must make an action plan to in order to fulfil the requirements and face follow-up visits (IKEA Services AB 2006). The Commercial Review is an important tool for IKEA to exchange knowledge and experience within the organization, and to monitor the environmental performance of their stores through the collection of KPIs (IKEA Services AB 2006).

#### 6.3.2.4.3 Distribution Unit Review – Social & Environment

The "Distribution Unit Review" is conducted in the same way as the Commercial Review, but among all of IKEA's distribution centres. The only difference lies in the kinds of requirements put in the checklist. The Social & Environment section of the checklist was developed to strengthen IKEA's distribution units' performance on social and environmental issues (CMG and IKEA Supply Chain 2005), and closely follows the structure of IKEA's Social & Environmental Strategy. The checklist sets requirements for different sections (CMG and IKEA Supply Chain 2005):

- Preconditions (e.g. an internal IWAY audit should have been conducted in the past year)
- Leadership and competence (e.g. a social and environmental co-ordinator has been appointed)
- Products and materials (e.g. annual statistics on electricity and heating consumption, costs and $CO_2$ emissions should be documented)

- Energy and transport (e.g. a local energy and emissions analysis should be carried out)
- Community involvement (e.g. the distribution centre co-operates with the local society in environmental or social matters)

All in all there are 32 specific requirements that the distribution centres are evaluated on.

6.3.2.4.4 Checklist for Mandatory Environmental Construction Solution

IKEA's Property Department has developed the Checklist for Mandatory Environmental Construction Solutions, to be used in every new project or large rebuilding of IKEA buildings (stores, distribution centres and office building) (IKEA International A/S 2001). IKEA requires that meetings on the possible environmental solutions of each building are conducted at least 15 months prior to the finish of the building, and that the checklist is implemented throughout the whole building phase. The checklist sets up a list of requirements that contractors need to fulfil, divided into the areas of (IKEA International A/S 2001):

- Land (e.g. plan for well functioning public transport)
- Planning and supervision (e.g. build with a high content of pre-fabricated material of high quality, which leads to less waste, and plan for waste sorting)
- Base building (e.g. sort construction waste and provide environmental declarations of materials)
- Supplementary building works (e.g. optimize the tightness of facades and minimize the use of PVC)
- Heating, Ventilation and Air condition (HVAC-systems) (e.g. differentiate the temperature in different areas)
- Sanitary (e.g. install water saving units on all water consuming installations)
- Fire protection
- Electrical (e.g. install occupancy detectors to control light where effective)
- Transport systems (e.g. use efficient lifts)
- Exterior works on site (e.g. concentrate green areas)

### 6.3.2.5 Community involvement

IKEA has for long seen the importance of social issues, and their integration with their business. As a global actor the company work in underdeveloped countries and are often challenged by poor social conditions and child labour. Community involvement has become a way for IKEA to face these challenges, and set goals for themselves in their social and environmental work.

The main goal for this area in the Social & Environmental Strategy is "IKEA shall act and be recognised as a good community partner wherever it operates" (IKEA SECO Group 2006). The strategy guides IKEA in setting up local, national and international community related projects that, as much as possible, have a direct connection to the company's business. This will be beneficial to the IKEA business since it strengthens their community relations and brand, and enhances IKEA's reputation. This will also contribute to long-term profitability.

IKEA initiates and supports a wide range of activities, both locally and globally. One aim is to further women and children's health and education as a way of preventing e.g. child labour. The other goal is to protect the forests (IKEA Services AB 2006).

6.3.2.5.1 Partnerships

IKEA chooses to support and partner with different organizations (see appendix 3), such as UNICEF, Save the Children and WWF on social and environmental issues. It has lead to a number of activities and projects throughout the years, e.g. vaccination programmes for children in South East Asia, the support of programmes such as UNICEF's "Right to Play" that helps children affected by wars and/or AIDS in Angola and Uganda, or rehabilitation of burned and degraded Malaysian rainforests (IKEA Services AB 2006). Partnerships also provide IKEA with social and environmental competence and when selecting business partners this kind of knowledge is to be promoted.

#### 6.3.2.6 Leadership & Competence

IKEA believes that secured accountability and strong leadership leads to the integration of social and environmental priorities into the way of doing business, which they believe are pre-requisitions to being successful in their social and environmental efforts.

The Social & Environmental Strategy sets "IKEA shall secure strong integration of Social & Environmental issues in our way of doing business and in our organisational behaviour" (IKEA SECO Group 2006) as the main goal for IKEA's work on Leadership & Competence. Active and excellent leadership and the right internal competence level will lead to the fulfilment of the company's strategies and strengthen the business and customers' trust in IKEA over time. Goals are set on e.g. the educational level of co-workers.

IKEA saw the value of internal education in the beginning of the nineties. It was decided in 1992 that all co-workers, starting with top management, were to be educated on environmental matters (Johnson 2006).

IKEA makes a number of activities to achieve a stronger leadership and more competence on social and environmental issues, most importantly partnerships, surveys, and educational tools.

##### 6.3.2.6.1 Surveys

IKEA also collects feedback from some of its stakeholders, namely customers, co-workers, and suppliers, through four kinds of surveys (IKEA Services AB 2006):

- **Market Capital**. IKEA uses this market research tool every three years to get feedback from customers. It gives the company insight into each store's implementation of the IKEA concept and how well it works in each market. A part of the survey concerns stakeholder confidence in IKEA on social and environmental issues.
- **Co-worker Confidence survey**. IKEA annually performs this survey to evaluate how they are doing in achieving their social and environmental goals. IKEA co-workers are asked if they agree with the statement "IKEA is a company that shows in action that it takes social and environmental responsibility".
- **Supplier survey**. Every three years a third-party conducts this anonymous survey for IKEA, among all of the company's current suppliers. The result is feedback on strengths, weaknesses and possible improvements within their co-operation. A part of the survey deals with the suppliers' confidence in IKEA on social and environmental issues.
- **Customer Satisfaction Index (CSI)**. This survey is carried out twice a year among IKEA's customers and provides an international benchmark on customer satisfaction.

##### 6.3.2.6.2 Co-worker education and training

Each IKEA co-worker is offered a computer-based training programme, called E-learning. It focuses on social and environmental issues and is modelled so that the co-worker will gain awareness, knowledge and a sense of responsibility on these matters (Corporate PR 2006). In

depth and special training is also provided to environmental coordinators and IWAY auditors (IKEA Services AB 2006)

6.3.2.6.3 Internal social and environmental communication

IKEA's co-workers can inform and update themselves on social and environmental issues through several mediums. The IKEA Inside intranet is the most extensive information source, this is where all of IKEA's internal documents and information is published and updated, including those on social and environmental affairs. Readme is a magazine that is aimed towards co-workers and focuses on increasing their knowledge about IKEA and sense of togetherness. It regularly covers social and environmental topics.

### 6.3.3 IKEA's environmental reporting and communication

IKEA has for long time chosen not to communicate its social and environmental work to the masses, e.g. in the stores and commercials. This because they believe in "first doing, then talking" (Bergmark 2006) and first wanted to establish the social and environmental strategies and activities and obtain certain goals. Now, though, IKEA feels ready to communicate their work to the broader public. The work of Social & Environmental Affairs will be communicated, starting with the launch of the 2007 catalogue, in the catalogue, stores and on the internet (Bergmark 2006). Strategies for communication and different sources of environmental reporting have been used over the years, though.

#### 6.3.3.1 Communication platform

In 2003 Social & Environmental Affairs developed a communication platform (IKEA Group 2003), to achieve a successful and uniform communication to a group of prioritized stakeholders. The framework identified the main target groups for environmental communication: Co-workers, suppliers, customers, and NGOs, authorities, media and other important external stakeholders. Some main messages were also formulated to clarify IKEA's social and environmental work to the main target groups, and make for a uniform communication. Examples of messages (IKEA Group 2003):

- IKEA strives to ensure low price, but not at any prize.
- IKEA makes good business while being a good business.
- IKEA acts in partnership with UNICEF, Save the Children and WWF.

The platform also set up guidelines for communication. The communication is to be based on the key words *honesty, transparency* and *authenticity*. It should always be sound and honest, focusing on what they have accomplished so far, not what they want to accomplish, and being open about failures and lessons learned (IKEA Group 2003).

#### 6.3.3.2 IKEA Social & Environmental Responsibility Report

One of IKEA's most important communication channels to present their work with social and environmental issues to stakeholders is the Social & Environmental Responsibility Report. It is an annual report that is produced by Corporate PR at IKEA Services AB in Helsingborg and is distributed on IKEA's homepage. It presents all of the work that the Social & Environmental Affairs department supervises, and the achievements they've made, both in facts and key figures. The first Social & Environmental Responsibility Report was published in 2004 and covered the year 2003, but other similar reports had earlier been published, e.g. "Miljö- och Sociala Frågor", from 2001 (The IKEA Group 2001). An important aspect of IKEA's environmental reporting is that the company's CEO, Anders Dahlvig, often (if not always) participates in the communication. This strengthens the message that the social and environmental issues are integrated into the overall business management.

#### 6.3.3.3 Reporting on $CO_2$ emissions

In 2002 IKEA, together with Business Leaders Initiative on Climate Change (BLICC), produced its first external report on $CO_2$ emissions (IKEA 2005). It has since been published annually.

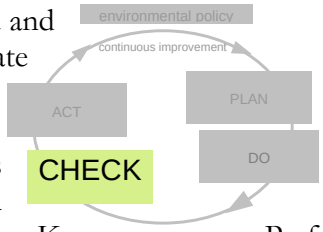
#### 6.3.3.4 Brochures and booklets

IKEA has also produced several brochures and booklets with environmental communication, for both external and internal use. E.g. "Social and Environmental Responsibility" from 2004 and "The Orange Booklet – IKEA Environmental & Social Issues", which describes the social and environmental work up until 2001 (IKEA 2005).

#### 6.3.3.5 Internal environmental communication

Internal social and environmental communication has been distributed both through co-worker magazines such as "Readme", and on the IKEA Inside intranet.

## 6.4 Check




The check phase of an EMS procedure involves collecting data and information that will allow the company to monitor and evaluate their environmental management. It also involves identifying possibilities for change; this is a very important step towards achieving continuous improvement (Kolk 2000). IKEA checks its performance through the reviews and audits that have been described in the earlier chapters. They also collect and analyse Key Performance Indicators.

### 6.4.1 Key Performance Indicators (KPIs)

KPIs (Key Performance Indicators) are used based on the GRI guidelines, and was introduced in IKEA's social and environmental work in 2003 (IKEA 2005). They help the IKEA Group keep track of the performance and progress on social and environmental aspects. IKEA's reported KPIs today cover the following areas of IKEA's business (IKEA Services AB 2006):

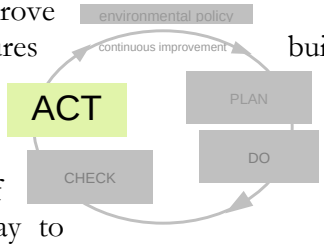
- Products and materials
  - Environmental management of the catalogue (percentage of certified paper suppliers and percentage of certified artwork/repro, gravure and offset suppliers)
  - Use of paper for the catalogue (percentage of fibres from collected forestry and percentage of recycled fibres)
- Suppliers
  - IKEA suppliers that are IWAY approved by IKEA Trading (percentage for Europe, Asia, Americas and total)
  - Average IWAY fulfilment of the 90 criteria (percentage for Europe, Asia, Americas and total)
- Forestry
  - IWAY fulfilment among suppliers (percentage)
- Environmental work in IKEA units
  - Basic environmental training/e-learning (number of co-workers for stores and number of co-workers for distribution units)
  - Waste management (percentage for sorted waste)
  - Waste recycled, reclaimed or used in energy production (percentage for Europe, North America, Asia, stores total, distribution units total)
  - Recovered or reused products in IKEA stores (percentage for Europe, North America, Asia, and Russia)

- Energy consumption in relation to sold cubic metre (percentage for stores electricity, stores heating, distribution units electricity, and distribution units heating)
- Renewable energy (percentage of stores electricity and distribution units total energy)

- Transportation
  - Distribution of IKEA home furnishing products (percentage for road, rail, sea, short sea and barge)
  - Transportation of IKEA products (percentage for inbound filling rate (supplier to distribution unit) and outbound filling rate (distribution unit to store))
  - Modes of transportation (goods volume) (percentage for road, sea, rail, and combined transport (road and rail)))
  - Transportation of IKEA customers (percentage of IKEA stores served by public transport and customers using public transport)

The KPIs are retrieved from all parts of the IKEA group and is analysed by IKEA Social & Environmental affairs in connection to reviews. The KPIs can also be found in the Social & Environmental Responsibility Report.

## 6.5 Act




The act phase involves taking the necessary measures to improve the performance of the environmental management. The measures build on management reviews, which IKEA chooses to conduct in connection to developing the Social & Environmental Strategy. Each year an evaluation is made by Social & Environmental Affairs to see if the strategy is being fulfilled, if goals have been reached and actions implemented. This is a way to identify necessary changes. The IKEA Group management are also filled in on the status of the strategy in an annual follow-up where the results compared to the goals within each focus area are reported and discussed (Bergmark 2006).

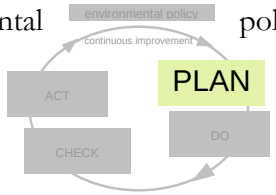
The entire IKEA EMS has to be taken into consideration to be able to analyse if it meets the requirements of ISO 14001 and EMAS. This analysis now follows in the coming chapter.

# 7 Analysis 1: IKEA's fulfilment of ISO 14001 and EMAS

Part of the task for this final thesis is to analyse whether IKEA could fulfil the requirements of ISO 14001 and EMAS. Since ISO 14001 and EMAS are modelled on the Deming cycle phases; plan-do-check-act, we will present the requirements under those sections in the following analysis. Our description of the requirements is described (in large based on the ISO 14001 standard document, the SIS ISO 14001 handbook, and our own interpretation), for readability reasons we leave out the strict requirement formulations since it is written in a very complicated and formal text. The different corresponding aspects, or lack thereof, of IKEA's EMS are then presented. ISO 14001 and EMAS use certain terms and definitions, which are explained in appendix 1. Expressions used in the following text correspond to the favoured terms of each organization (ISO, EMAS and IKEA). E.g. ISO's and EMAS' targets, objectives, operations, and environmental policy are the same as IKEA's goals, actions and sustainability direction.

## 7.1 Plan

The plan phase includes the general requirements, the environmental policy, the environmental aspects, the legal and other requirements, and the objectives, targets and programmes.




### 7.1.1 General Requirements

Apart from setting up an EMS in accordance to ISO 14001 and EMAS, the general requirements involves that an organization regularly reviews its EMS, and implements the necessary changes for improvement (SIS 2004). It should also define the physical and organizational system boarders and what parts of the organization that should be included in the EMS (Piper, Ryding et al. 2004). The organization is also required to set the pace, the scope and the time frame for this continuous improvement process, in consideration to their economical and other conditions. All in the purpose of achieving better environmental performance.

IKEA complies with parts of this requirement. The IKEA Group has set up the system boarders for its EMS, which includes all aspects of the IKEA Group business. The EMS involves documentation systems, implementation of strategies and action plans, monitoring and measuring, reviews and follow-ups, but since IKEA has not used the requirements of ISO 14001 and EMAS as a template for its EMS they won't fulfil the first general requirement to comply with ISO 14001 and EMAS.

### 7.1.2 Environmental policy

The environmental policy constitutes the highest governing document when an organization is to introduce an EMS. The requirement therefore demands that the policy is formulated to mirror the top management's intentions to follow the relevant legal and other requirements, prevent pollution and achieve continuous improvement (SIS 2004). It should provide the framework for the environmental objectives and targets, include the environmental aspects of the business, and the scope of the EMS. It is also important that it is concise enough so that both internal and external stakeholders could easily understand it. The policy should be reviewed and, if necessary, updated regularly to reflect changed conditions. The requirement also demands that the policy is communicated to all of the co-workers of the organization and that it is decided on and anchored at top management level. It is very important that it becomes a tool that directs the organizations environmental work in line with the view of the top management. The policy should also be distributed externally (Piper, Ryding et al. 2004).

According to our interpretation, IKEA does not comply with this requirement, since the standards require that different aspects should be included in the policy formulation. I.e. the policy should be formulated in terms of: "we will comply with legal requirements" or so on. This is not the case with IKEA's policy. The IKEA Group management adapted the *sustainability direction*, in 2005. It states, "the IKEA business shall have an overall positive impact on people

and the environment", a formulation that includes the whole IKEA Group business and therefore all of the company's social and environmental impacts and requirements. Our interpretation is that it ensures continual improvement and provides a framework for IKEA's social and environmental strategies, which contains social and environmental goals and actions, since it strives towards *positive* impact. To be able to achieve this, a company really has to be proactive and regularly raise the bar. More importantly, the sustainability direction is easily communicated and understood, both internally and externally, due to its concise and clear formulation. The sustainability direction is part of the foundation for each new Social & Environmental Strategy, and is documented, implemented, maintained and reviewed by IKEA Social & Environmental Affairs and IKEA Group management, in connection to follow ups.

### 7.1.3 Environmental aspects

This section of requirements demands that the organization identifies its environmental aspects, which arise due to its activities, products or services, or future planned developments (SIS 2004). The organization should also determine their significance. The way in which these environmental aspects are identified is optional, but it is required that the whole business of the organization is analysed, e.g. including the supply chain or a products end-of-life (Piper, Ryding et al. 2004). Consideration should be given to aspects of the organization's business, such as:

- Design and development
- Manufacturing processes
- Packaging and transportation
- Environmental performance and practices of contractors and suppliers
- Waste management
- Extraction and distribution of raw materials and natural resources
- Distribution, use and end-of-life products
- Wild-life and biodiversity

When gathering information on their environmental aspects, the organization should also take documentation into account. It is important to be able to put them in an historical context, or to put them in relation to new developments, later on (SIS 2004).

IKEA complies with this requirement. The company have since the late eighties been aware of their environmental aspects. The strategies of today are based on social and environmental aspects that were identified and prioritized through a global analysis made in 2003, by the IKEA SECO Group (Bergmark 2006). These aspects cover the whole IKEA Group business (they involve everything from product design to work with suppliers and sub-suppliers), are a basis for IKEA's social and environmental focus areas, and are continually analysed and reviewed in connection to follow ups and new strategies.

### 7.1.4 Legal and other requirements

ISO 14001 and EMAS demand that the organization identifies the legal requirements that are applicable for their business, i.e. national and international law, regional and local requirements, management requirements, agreements with public authorities, customers or NGOs, or voluntary guidelines (eco-labelling, codes of conducts, product stewardships etc) (SIS 2004). The way in which the organization chooses to identify the legal and other requirements is up to the organization to decide upon (Piper, Ryding et al. 2004).

IKEA complies with this requirement. According to the manager of Social and Environmental Affairs, Legal Affairs at IKEA Services AB in Helsingborg they manage all legal requirements, including environmental, that the IKEA Group have to comply with. The social and environmental focus areas and strategies that IKEA set up take these into account, as well as all social and environmental requirements that can be found in the BSR database (Bergmark 2006).

Opinions of different stakeholders, such as customers, NGOs and suppliers, are collected through surveys and partnerships (IKEA Services AB 2006).

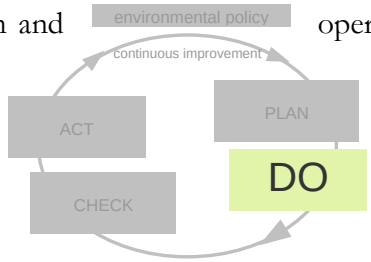
### 7.1.5 Objectives, targets and programmes

This section of requirements covers the goals, action plans and activities that an organization has to set up to deal with their environmental aspects. They should be clear and measurable, as far as possible. The technical and financial possibilities should be taken into account when planning the objectives, targets and programmes. A programme should involve time frames and necessary resources, and it should also assign responsibility (SIS 2004). ISO 14001 and EMAS definitions for objectives and targets are open to interpretation, but it is important that they are anchored at top management level and that the effectiveness of the Deming Cycle model is maintained by seeing objectives and targets as projects with a decided time plan. Each target and objective should have a decided action plan, a programme (Piper, Ryding et al. 2004).

IKEA complies with this requirement. The Social and Environmental Strategies are founded in the sustainability direction and the social and environmental focus areas and are anchored at IKEA Group level. Each strategy sets up goals, which are to be obtained within a decided time frame, for all parts of the business. Action plans are also decided on in order to obtain set goals. Continual improvement is worked towards with each new strategy, in accordance with the sustainability direction. Most of the goals are measurable, monitored and measured e.g. through the use of KPIs. The strategy is adapted to different business areas where the responsibility for implementation of the actions is directed.

## 7.2 Do

In the do phase the standards include the implementation and operation.




### 7.2.1 Implementation and operation

In this section, ISO 14001 and EMAS address the needed measures that the organization has to take in order to be able to achieve objectives and targets and to implement programmes.

#### 7.2.1.1 Resources, roles, responsibility and authority

The requirements involves that the organization ensures the availability of the resources (human resources, specialized skills, organizational infrastructure, and technical and financial resources) that are necessary for the EMS (SIS 2004).

IKEA complies with this requirement. Keeping the sufficient internal competence for social and environmental work is actually a focus area (Leadership & Competence, see chapter 6.3.2 Social and environmental focus areas and activities) and a part of the Social and Environmental Strategies (IKEA SECO Group 2006). Roles are defined and responsibility is distributed throughout the whole IKEA Group organization, from the manager of Social & Environmental Affairs (who regularly reports to top management (Bergmark 2006)) to the environmental co-ordinators at each IKEA Group store. Although issues of difficulties with the vertical communication and lack of time might exist, as we have learned through interviews with e.g. environmental managers, improvement is worked towards with each new Social & Environmental Strategy (Larsson 2006).

#### 7.2.1.2 Competence, training and awareness

The standards require that persons within the organization, who could cause an environmental impact due to the nature of their work, are educated and trained on the issue. The management should identify and implement the needed education and training for all co-workers, which should be aware of the environmental policy, the EMS and the environmental aspects. The

organization should also demand environmental competence and training from its contractors (SIS 2004).

IKEA complies with this requirement. Ever since the start of the nineties, training programmes have been used to spread awareness and to educate all levels of co-workers on social and environmental issues, e.g. the E-learning. Special training is also identified and implemented for co-workers with special social and environmental responsibilities. IKEA also requires education and training at its suppliers, in their code of conducts. The area of education and training is also a part of the Social and Environmental strategies and is monitored through co-worker and supplier surveys (IKEA Services AB 2006).

#### 7.2.1.3 Communication

This requirement involves setting up an internal communication between different levels and functions within the organization, on topics such as environmental policy, targets and objectives, and reporting of the environmental performance. If ISO 14001 certification is desired the organization must decide whether to extend this communication externally (Piper, Ryding et al. 2004). If EMAS registration is the goal the organization must publish an annual environmental report, informing on the goals for continuous improvement, the environmental policy, the programmes, the EMS at large, and the environmental performance (Piper, Ryding et al. 2004). The organization should also set up systems for receiving and responding relevant opinions of external stakeholders, such as NGOs, customers, authorities, etc (SIS 2004).

IKEA complies with this requirement, both according to ISO 14001 and EMAS. Internal communication is based on a communication platform (IKEA Group 2003) and different kinds of sources, e.g. the IKEA Inside intranet and the co-worker paper Readme, distribute social and environmental information throughout the whole IKEA Group organization. IKEA routinely reports externally on its social and environmental work through different brochures and the annual Social & Environmental Responsibility Report, but have for long made the decision not to use the information in communication with the market or customers. This is changing, though, and more information will be found in stores, the catalogue and customer magazines. Opinions of different stakeholders, such as suppliers and customers, are collected and acknowledged through different surveys (IKEA Services AB 2006).

#### 7.2.1.4 Documentation

The organization should document the following aspects of the EMS (SIS 2004):

- the environmental policy
- the objectives and targets
- a description of the scope of the EMS
- a description of the main elements of the EMS and their interaction, and reference to related documents
- documents, including records, required by ISO 14001 and EMAS
- documents, including records, determined by the organization to be necessary to ensure the effective planning, operation and control of processes that relate to the environmental aspects

I.e. the organization must document certain parts of the EMS. How this documentation is compiled can vary, e.g. many organizations make an environmental manual that uses the same numbering as the requirements of ISO 14001 and EMAS. But as long as the organization can cross reference the different documents that contain the certain required information, they don't have to summarize everything in one place (Piper, Ryding et al. 2004).

IKEA only complies with part of this requirement. The social and environmental strategies, the annual Social & Environmental Responsibility report and the IKEA Inside intranet contains

information about the sustainability direction (i.e. the equivalent of the environmental policy), the focus areas, strategies, goals and actions, the scope of the EMS, and the different documentation needed for operation (e.g. the IWAY documents and handbooks). But the documentation does not include specific documentation and records required by ISO 14001 and EMAS, since IKEA isn't certified or registered.

#### 7.2.1.5 Control of documents

The standards require that routines are set up for the control of the above-mentioned documents, and that the organization appoints representatives with the right to issue these documents. Evaluations and revisions should also be included in the routines (SIS 2004). This system should ensure that the source of issue is known, documents aren't out of date or unreadable, and that those containing environmental performance results are controlled. A distribution list for the documents should also be set up (Piper, Ryding et al. 2004).

IKEA doesn't necessarily comply with this requirement. The IKEA Group has some set routines for the control of documentation, e.g. on product specification and documents regarding purchases. There is however no operational control regarding documentation such as strategies, action plans, reports etc. This said, documents describing all kinds of aspects to IKEA's social and environmental work, e.g. strategies, audit reports, action plans, handbooks and checklists, are stored and published on the IKEA Intranet. The management follow up on strategies and activities, and full responsibility is given to different business areas to do make documentation. Documents are issued, and also revised and updated in connection to changes or new knowledge by the department that is responsible for the matter.

#### 7.2.1.6 Operational control

The requirement of operational control involves that the organization identifies those operations that are connected to the environmental aspects and that action plans are set up, with determined routines, to secure the environmental goals. This also involves assuring that these are carried out under specified conditions and are understood and implemented by the affected business area (Piper, Ryding et al. 2004), as well as the organization's suppliers and contractors (SIS 2004).

IKEA complies with this requirement. The social and environmental strategies, which are founded in the sustainability direction, identify the needed goals and actions for the different prioritized focus areas. Guiding documents and plans are set up for the actions, such as IWAY implementation, the use of environmental building standards for IKEA buildings etc. The social and environmental strategies involve all parts of the IKEA Group business, including suppliers, and measures are taken to inform all affected parts with the proper documentation.

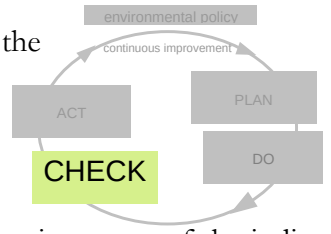
#### 7.2.1.7 Emergency preparedness and response

The organization should make an inventory of their processes that could lead to environmental accidents, and make a list of all activities containing risks. Routines should be documented describing how environmental accidents should be handled and prevented, and affected personnel should be trained and educated (Piper, Ryding et al. 2004). The organization should respond to actual emergencies and try to prevent possible environmental impacts (SIS 2004).

IKEA complies with this requirement. The requirement mainly effect producers and manufacturing industries, with risks of pollution etc. from factories. IKEA is not an actual manufacturer, they buy most of their products, but the IKEA Group company Swedwood have procedures for emergencies since they are ISO 14001 certified. IKEA requires these kinds of emergency routines from their external suppliers in their IWAY approval procedures. When it comes to their direct business of designing and retailing, IKEA have different routines set up, e.g. a recall management system for situations where products for sale are found to be a risk for

health or environment, in spite of taking this into account during the design and production process (IKEA Services AB 2006), and evacuation routines in case of fire in the stores.

## 7.3 Check




The standards include the monitoring and measurement, the evaluation of compliance, the nonconformity, corrective and preventive action, control of records, and internal audits in the check phase.

### 7.3.1 Monitoring and measurement

The requirement demands that the organization should make an inventory of the indicators that can be used to monitor the environmental performance of each goal and action, and set up routines for the collection of data. Responsibilities within the organization for the management of these indicators should be assigned (Piper, Ryding et al. 2004). The requirement also includes assuring that possible measuring equipment is correctly calibrated (SIS 2004).

IKEA complies with this requirement. Many of the goals, e.g. for $CO_2$ emission reduction or IWAY approval, in the social and environmental strategy are quantitative and measurable. All goals are monitored in different ways, by the annual results from actions; e.g. surveys, projects, audits and checklists, and KPIs. These are analysed regularly, by different social and environmental units, such as Social & Environmental Affairs, but also by IKEA Group management, and are used to evaluate each part of the strategy. This way IKEA regularly monitors its performance on social and environmental goals and actions. The results are followed up on IKEA Group management level. The IKEA procedure of reporting these performance indicators are by publishing them both internally and externally, e.g. through the IKEA Inside intranet, the BLICC report, and the Social & Environmental Responsibility Report.

### 7.3.2 Evaluation of compliance

Consistent with its commitment to compliance the organization should identify the indicators that are connected to legal and other requirements that their business is affected by, to be able to evaluate and show that they comply. They should also set up routines that verify compliance (Piper, Ryding et al. 2004).

IKEA complies with this requirement. Legal and other requirements, such as for hazardous materials, working conditions etc, are taken into account in many different actions, and indicators that verify compliance can be found in different documents, i.e. the IWAY audit reports, declarations of contents etc.

### 7.3.3 Nonconformity, corrective action and preventive action

What this requirement involves is that the organization should basically set up a routine for learning from their mistakes. This means identifying, investigating and correcting non-conformities, and judging whether preventive measures need to be taken for the future. All this should be properly documented and reported and the effectiveness of possible preventive measures should be evaluated (Piper, Ryding et al. 2004).

IKEA complies partly with this requirement. The procedures in cases of nonconformity to EMS differ. All social and environmental strategies that IKEA develops are based on annual evaluations of results, which point to non-conformities and necessary corrective and preventive actions. Different specific actions and tools are used to assure conformity to the IKEA EMS. E.g. nonconformity among suppliers is reviewed and acted upon according to IWAY. The stores and distribution units take corrective and preventive actions according to Commercial Review and Distribution Unit Review. But the lack of routines for non-conformity reports probably means that IKEA can't entirely comply with this requirement.

### 7.3.4 Control of records

This requirement demands that documents, containing results of monitoring and measuring, e.g. lists of co-workers that have been trained and educated or reports on $CO_2$ emissions, must be controlled by set routines (Piper, Ryding et al. 2004).

IKEA only comply with parts of this requirement. IKEA follow up, document and publish the different results from its EMS monitoring and measuring system (i.e. KPIs, review and survey results etc) in certain sources, e.g. the Social & Environmental Responsibility report, the BLICC Report and the IKEA Inside intranet. But the IKEA Group, once again, does not have a operational system for all of its documents, which regulates e.g. the storage, protection, and disposal of documentation and records.

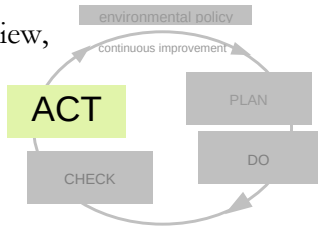
### 7.3.5 Internal audits

Certain internal staff members, judged by the organization to be competent, properly trained and able to work objectively, shall monitor the performance of the EMS through regular audits. They should control that it conforms to the arrangements of the environmental management and that the requirements of the standards are being followed. They should also control that the EMS is being implemented and maintained properly (SIS 2004). The organization should also assess the need for external auditors (Piper, Ryding et al. 2004).

IKEA complies with this requirement. There are competent internal auditors within the IKEA Group organization that work according to set routines, e.g. the CMG Group which audits the IKEA Trading Services offices in relation to the supplier code of conduct, IWAY, and the auditors that perform Commercial Review and Distribution Unit Review. External auditors are also hired when it comes to monitoring suppliers. Audit results are documented by IKEA Social & Environmental Affairs and can be found e.g. at the IKEA Inside intranet.

## 7.4 Act

In the act phase the standards include the management review, which should be conducted regularly by the organization to assure that certain parts of the EMS are reported to, and reviewed by, the top management (Piper, Ryding et al. 2004). Input to the management reviews should include (SIS 2004):




- results of internal audits and evaluations of compliance with legal requirements and with other requirements
- communications from external interested parties, including complaints
- the environmental performance of the organization
- the extent to which objectives and targets have been met
- status of corrective and preventive actions
- follow-up actions from previous management reviews
- changing circumstances, including developments in legal and other requirements related to the environmental aspects
- recommendations for improvement.

The outputs from management reviews should include any decisions and actions related to possible changes to environmental policy, objectives, targets and other elements of the environmental management system (SIS 2004). This requirement is important to ensure the commitment to continual improvement.

IKEA complies with this requirement. The manager of Social & Environmental Affairs annually reports on the results and development of the social and environmental strategy and its focus areas. This process involves the discussion of performance, changing situations, improvement possibilities etc.

# 8 Analysis 2: what IKEA benefit/loose by not using ISO 14001 or EMAS

This analysis primarily aims to show what IKEA can benefit or loose by not certifying or registering to ISO 14001 or EMAS. It builds on the theories that we presented in chapter 4 (number 4.6 to 4.9), which gave us the following themes for analysis: efficiency on environmental performance, continuous improvement, and benefits and disadvantages.

To start off it is important to emphasize an important aspect when analyzing IKEA. The company is, as already described in this report and often discussed in general, a very unique company. In discussions with different persons, specifically Lomander (2006), this fact often came up. Because of its uniqueness, it's hard to compare IKEA with any of the businesses and organizations that usually benefit or loose from using the standards. The aspects to IKEA which contribute to this the most are:

- Owner structure: the possibilities and restrictions that IKEA has because of its quite unique owner structure means that costs due to implementing an EMS are affordable, and stakeholder pressure to certify or register according to a standard is relieved
- Image: IKEA's very strong brand and image works well on it's own. Improvements in image from using standards are questionable
- Business sector: since the IKEA Group is primarily a retailer, and not a manufacturer, the continuous improvement that ISO 14001 or EMAS bring to manufacturing industries doesn't necessarily work for IKEA
- Company culture IKEA thrives on doing things their own way and by implementing a standardized EMS, which so many other companies also uses, they would perhaps not see benefits from using a standard

We have to keep the uniqueness of IKEA in mind when performing the following analysis.

## 8.1 Efficient environmental performance

The conclusions on ISO 14001 and EMAS' ability to promote efficient environmental performance from chapter 4.6, were:

- Standardized EMSs does not guarantee efficiency on environmental performance, since they lack in regard to: giving incentives for integration of EMS with the overall business management, assuring an efficient audit culture, making sure strategic environmental objectives are set, and giving incentives for fruitful authority relationships.
- The efficiency of the environmental performance depends on the certified or registered company's own ability to connect the environmental work with business strategy, the level of ambition within the company and among top management, and whether the standard requires environmental reporting.

I.e. the aspects, which are said to contribute to efficiency in environmental performance, are integration of EMS with business strategy, an efficient audit culture, setting up strategic environmental objectives, and having fruitful authority relationships. It also depends on a company's level of ambition and whether they report on their environmental performance. In regard to most of these aspects, IKEA's environmental performance is efficient without implementing ISO 14001 or EMAS. They actively, with each new Social & Environmental strategy, use the link between their social and environmental work and the business benefits, and works with integrating the environmental management with the overall business management, as can be seen in the Ten Jobs in Ten Years document, for example. They also set up strategic environmental objectives with each new strategy, report through several medias on their environmental performance, and tries to develop fruitful partnerships with many of its

stakeholders. What IKEA's environmental performance might gain from, though, is the third party audits, which the standards require. Although, this depends on the quality of the ISO and EMAS audit culture, which have been questioned.

To summarize this theme, IKEA's EMS is efficient in many ways that standardized EMSs don't include.

## 8.2 Continuous improvement

The conclusions on ISO 14001 and EMAS' ability to promote continuous improvement from chapter 4.7 were:

- The possibility to achieve continuous improvement depends on a certified or registered company's level of commitment and ambition, as well as its technical and economic possibilities, the quality of evaluation and discussions in connection with audits, and the type of business sector the company works in.
- The sustainable development approach is lacking in the standards, and continuous improvement in that direction is therefore disabled by the standards.

I.e. the aspects, which are said to contribute to a company's continuous environmental improvement, are: the company's level of ambition, technical and economic possibilities, quality of audit culture, type of business sector, the sustainable development approach. IKEA would not benefit by certifying or registering to ISO 14001 or EMAS, since they already "score big points" in these aspects. They have a high level of ambition and good technical and economic possibilities. Perhaps one aspect where they could benefit from is the third party audit, if they were performed in a qualitative way. Their type of business is also not an incentive for implementing ISO 14001 or EMAS, since they are not primarily a manufacturer. ISO 14001 and EMAS often promote continuous improvement in manufacturing industries, but not necessarily in service providers. IKEA's focus on sustainable development is also something that sets high goals for the social work, and this would not be encouraged by one of the standards, as they look today.

To summarize the theme, IKEA's continuous improvement on social and environmental issues would not be stimulated by them using ISO 14001 or EMAS.

## 8.3 Benefits and disadvantages with using ISO 14001 and EMAS

The benefits and disadvantages with using ISO 14001 or EMAS, which the theories in chapter 4 concluded are seen in figure 15 and 16.

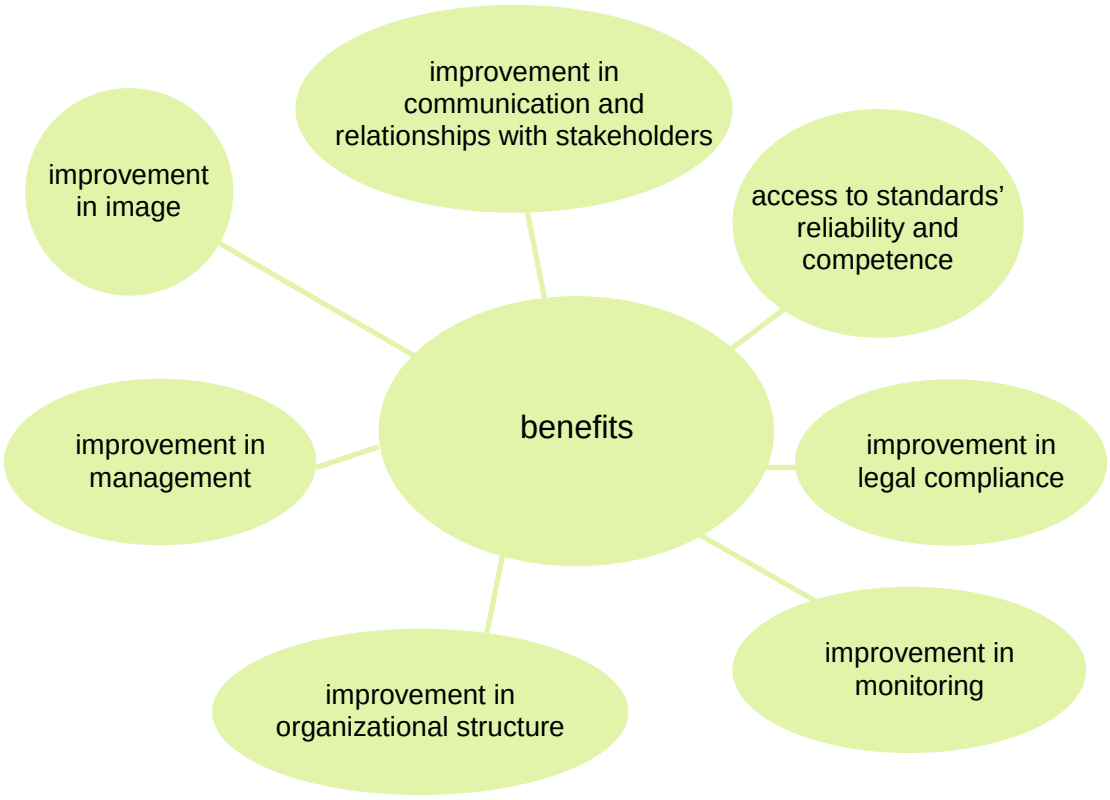



Figure 15: Benefits with using ISO 14001 or EMAS

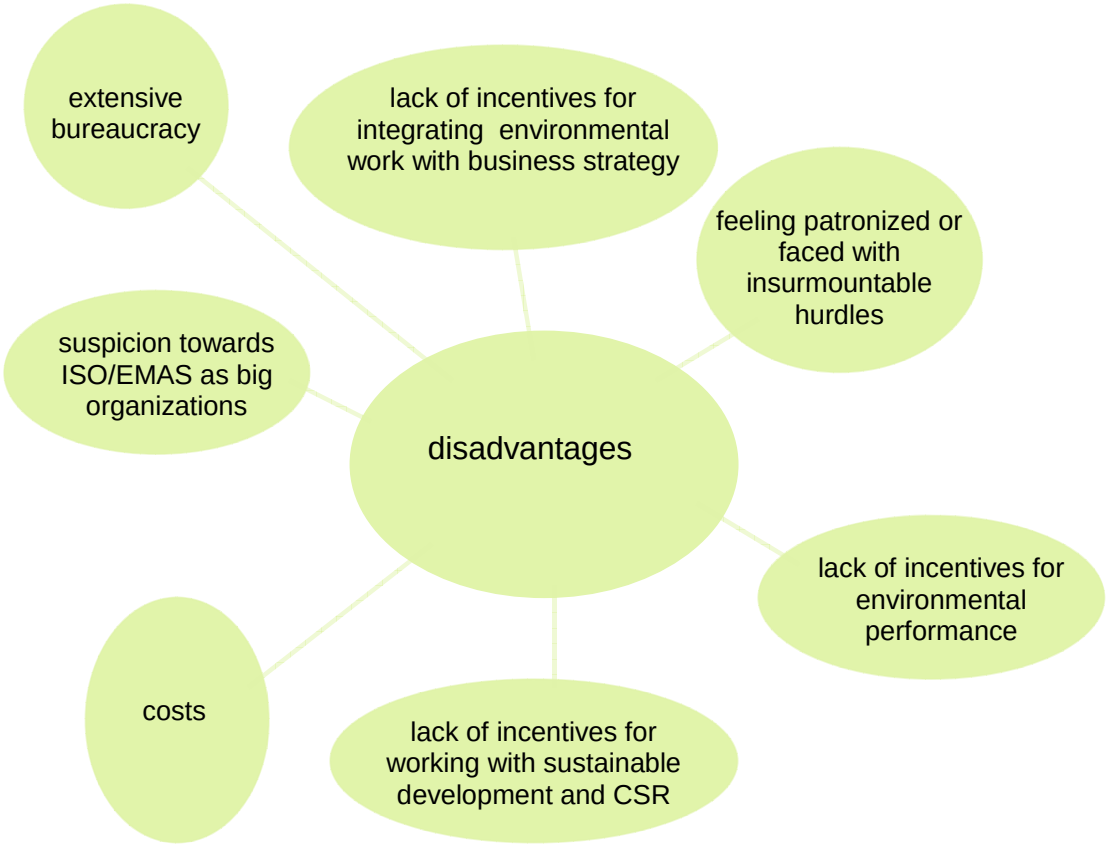



Figure 16: Disadvantages with using ISO 14001 or EMAS

The benefits and disadvantages relevance to IKEA will be dealt with, one by one, in the following chapters.

### 8.3.1 Improvements in monitoring

By complying with the requirements of ISO 14001 or EMAS, companies often set up systems for environmental monitoring, and the standards therefore bring this kind of beneficial improvement. But this is an improvement that IKEA has already achieved, since they have developed and use systems for monitoring within their EMS, e.g. by collecting and analysing KPIs. So, in spite of them not certifying or registering to one of the standards, IKEA does not loose from this aspect.

### 8.3.2 Improvements in management

Another beneficial improvement that companies receive when implementing an EMS according to ISO 14001 or EMAS is a structured environmental management. IKEA have had a structured social and environmental management ever since they first appointed an environmental manager in the late eighties. By certifying or registering to one of the standards IKEA might get a different-looking environmental management, but they can't really be said to loose anything in this respect by not using ISO 14001 or EMAS.

### 8.3.3 Improvements in legal compliance

Certified or registered companies often see fast improvements in complying with legal requirements since this is one of the first requirements in ISO 14001 and EMAS to be dealt with. IKEA already complies with their relevant legal requirements, both social, environmental and others that relate to their business. They would not see any changes to this by certifying or registering to ISO 14001 or EMAS, and can therefore not be said to loose anything in this respect.

### 8.3.4 Access to the standards' reliability and competence

By not being certified or registered, IKEA doesn't have access to the reliability factor and competence that international standards, and the organizations that back them, can provide. Instead, IKEA have taken measures over the decades to find out how to manage both social and environmental issues on their own, e.g. through partnerships, connections and education. This might be considered as a more complicated way of setting up an EMS, kind of like reinventing the wheel, but like all trial and error processes, it has lead to a refined management. It has also made for a deepened engagement among co-workers and good co-operation with stakeholders, such as NGOs with a lot of valuable competence.

### 8.3.5 Improvements in organizational structure

ISO 14001 and EMAS can bring big improvements to companies' organizational structure, as they require an organizational infrastructure that can facilitate the standardized EMS. The certified and registered companies receive an environmental organization, which is based on the standards usual template, i.e. centralized environmental departments with environmental managers. They also make sure that environmental responsibilities and competences are placed in areas of environmental concern. IKEA's organizational structure, which they have developed in order to facilitate their social and environmental work, is specially adjusted to their type of organizational structure. The decentralized company have a social and environmental department, but the social and environmental responsibilities are distributed all the way down to store floor level. IKEA cannot be said to loose anything in this respect. Although, a conclusion made in analysis 1 were that IKEA didn't comply with all of the ISO 14001 and EMAS requirements, mainly the ones concerning operational systems and control of records. In this regard IKEA could see the benefits that come from certification or registration, by having to structure and collect their extensive documentation.

### 8.3.6 Improvements in communication and relationships with stakeholders

Especially EMAS brings improvements to a company's communication with its stakeholders, as it requires an annual environmental report. But both the standards improve stakeholder communication and relationships since they have such a strong reputation and image, especially ISO 14001. In setting up business relationships, companies and other stakeholders often ask for ISO 14001 or EMAS and see this as deciding factor when choosing partners. IKEA's EMS is communicated in accordance to EMAS requirements, e.g. through their annual Social & Environmental Responsibility Report, but it is a vast and encompassing system, which can be hard to explain. Certified or registered companies "get away" with just saying that they use ISO 14001 or EMAS, but by not certifying or registering IKEA has to find other ways to assure stakeholders. IKEA's overall good image probably makes it easier for them in relationships with stakeholders, compared to other, especially smaller, companies which are not certified or registered to one of the standards. In spite of this, IKEA probably looses in respect to their communication and relationships with stakeholders by not using one of the standardized EMSs, since they are so powerful.

### 8.3.7 Improvements in image

Having a certificate that shows that the company is fulfilling the requirements of an international standard makes a public statement about its environmental commitment, which often leads to big improvements in image. It can be compared to the effects of eco-labelling. This aspect can involve huge disadvantages for companies that chose to not use ISO 14001 or EMAS, but IKEA's unique position and strong brand means that this probably does not apply to them. On the contrary, if they can highlight their choice to develop their own way of working with social and environmental issues, which is in line with their general philosophy of finding their own way in their endeavours, it could add to stakeholders' respect for them.

### 8.3.8 Suspicion towards ISO and EMAS, as big organizations

The big organizations that ISO and EMAS require are often scrutinized and sometimes looked at with suspicion. The same can be said about big companies. The organizations are often accused of corruption, being overly bureaucratic, slow and conservative. This puts a dent in the images of the otherwise very respected standards and can mean a disadvantage to certified or registered companies. By not certifying or registering, IKEA benefits in this respect, especially if any of their stakeholders have this suspicion towards the standards.

### 8.3.9 Costs and extensive bureaucracy

Implementing ISO 14001 or EMAS involves costs that are sometimes a hindrance for smaller companies to certify, but the costs are not often a problem for bigger companies. For IKEA, especially, these types of costs are often easier to motivate, because of the company's lack of investors and shareholders, and this cannot be seen as an incentive for IKEA not using one of the standards. The extensive administration that standards are connected to is seldom a positive aspect, but it could probably be made easier by IKEA's big organization. They might even benefit from it by having to set up an operational system, which covers all of their documents and records, and assures a coherent environmental documentation. In other words, this aspect shouldn't be used as an incentive not to certify or register to one of the standards.

### 8.3.10 Lack of incentives for environmental performance

As was described in the first theme of this analysis, ISO 14001 or EMAS' ability to promote environmental performance varies, depending on certain factors. There is a disadvantage in using one of the standards, because of their lack of giving incentives for environmental performance. By giving themselves incentives to perform well within their social and environmental focus areas, through seeing business benefits, reporting etc, they benefit from not certifying or registering to one of the standards.

### 8.3.11 Lack of incentives for integrating environmental work with business strategy

As the disadvantage above, IKEA benefits from not using ISO 14001 or EMAS in this regard, or at least isn't prevented from not having a standard. This since they actively give themselves incentives to achieve both an efficient environmental performance and continuous improvement by connecting business benefits to their social and environmental goals.

### 8.3.12 Feeling patronized or faced with insurmountable hurdles

This disadvantage mainly affect smaller companies, or companies in countries which are underdeveloped or have a weak environmental legislation. IKEA operates in underdeveloped countries, and their suppliers are often required to comply with demands, which often are deemed as high, but probably not insurmountable, according to their standards. The other aspect of feeling patronized is something that IKEA probably wouldn't risk by certifying or registering to ISO 14001 or EMAS. Although, their strong sense of independence and wanting to do things their own way, would most certainly clash with the standards ability to come across as patronizing.

### 8.3.13 Lack of incentives for working with sustainable development and CSR

By not promoting a direction that steers toward sustainable development or CSR, the standards often involve a disadvantage. Especially since social responsibility is increasingly demanded by companies' stakeholders nowadays and they often loose by not including this aspect in their environmental work. IKEA bases their whole social and environmental work around the sustainable development direction. They would probably loose momentum in their work with sustainable development and CSR if they were to adapt one of the standards and not be given incentives to work with these aspects.

A conclusion from analysis 1 was that IKEA probably does not comply with the standards' requirements on the environmental policy. It is questionable whether IKEA actually looses in regard to this, especially considering continuous improvement and stakeholder communication. It depends on how a concise comprehensive formulation and a direction towards sustainable development are valued.

# 9 Conclusions and recommendations

From analysis 1 and 2 a set of conclusions on IKEA's fulfilment of ISO 14001 and EMAS and what benefits or disadvantages they face with having a tailor-made EMS can be drawn. These, along with our recommendations to IKEA are presented below, divided between the two analyses.

## 9.1 Conclusions and recommendations from analysis 1

According to our analysis IKEA complies with most of the requirements. But since they lack in some areas, regarding documentation, setting strict procedures, and the contents of the environmental policy, they could probably not certify or register according to ISO 14001 or EMAS today. However, the major, crucial parts of the requirements, e.g. formulating a policy, identifying environmental aspects, setting up goals and implementing action plans, reporting and communicating, is something that IKEA has already done. We conclude that:

- IKEA quite easily could certify or register to one or both of the standards by adapting an operational control system, which includes all the IKEA Group documentation.
- The standards, so far, only focus on identification of environmental aspects, although the important sustainable development can only be achieved through the integration of social, economic and environmental aspects. IKEA's EMS includes these three dimensions by addressing social and environmental issues and connecting these with the overall business strategy. We can therefore conclude that it goes one step further then ISO 14001 or EMAS in this aspect.
- IKEA also puts a lot of emphasis on its relationship with suppliers and contractors, through their code of conducts. This is an aspect that ISO 14001 and EMAS also include, but it's mostly on a self-regulatory basis, they don't necessarily require code of conducts.
- By reporting their social and environmental work annually, IKEA does more than ISO 14001 requires and fulfils EMAS' requirement of reporting.

Our recommendation to IKEA is that if the company wishes to fulfil the requirements for ISO 14001 and EMAS, the aspects concerning documentation, procedures and the contents of the environmental policy needs to be considered.

## 9.2 Conclusions and recommendations from analysis 2

IKEA looses in some aspects by not certifying or registering to ISO 14001 or EMAS, but benefits in the most. From the analysis we conclude that:

- IKEA have a disadvantage when it comes to their communication and relationship with stakeholders by not using ISO 14001 or EMAS. They could also benefit from setting up an operational system that would assure a coherent and protected environmental documentation.
- On the other hand, by developing their own EMS IKEA has benefited in areas that the standards does not promote. We feel that these aspects; sustainable development, continuous improvement, not only outnumbers but also outranks the disadvantages described above. Our conclusion is that IKEA benefits by not using a standard in most ways and in important aspects.

Our recommendation to IKEA is to solve the few aspects in which they perhaps loose and this could be done in many ways. They should consider:

- setting up an operational system, which covers all their social and environmental documents. This would make the information accessible and coherent.

- design a strong stakeholder communication, which presents their social and environmental work in a reassuring and explaining way. An easy way to achieve this would be to work further on and extend the reach of the Social & Environmental Responsibility Report.

# 10 Discussion

We would like to emphasise that Analysis 1 (the comparison between IKEA's EMS and ISO 14001 and EMAS) has been done from our point of view, after research into ISO's and EMAS' formal requirement texts, guidelines and handbooks, as well as interviews with knowledgeable persons from the standard organizations or audit companies. The analysis could have looked differently if we could have attended actual audits, in that way we might have gained a more practical view on the requirements. This said we have to rely on the formulations of the requirements to be consistent with how companies and auditors interpret them. They should apply to every organization and situation, and this is the approach we have taken.

Analysis 2 could have benefited from a more in-depth research, e.g. into IKEA's environmental performance by an evaluation and benchmarking, or if their costs had been compiled and analysed. In the future this kind of research could be interesting and would provide knowledge on how IKEA's EMS is actually performing.

The persons we have contacted for interviews are mainly involved in the environmental system from a top position. To get a more complete picture of opinions of IKEA's social and environmental work, we could have talked to more people within IKEA. Due to the focus on strategy and the limited time frame we decided to prioritize the opinions from the managers.

This report focuses on environmental management and therefore only ISO 14001 and EMAS were used in the analysis. Since IKEA's EMS involves both social and environmental issues, it covers more areas than the standardized systems require. There are other standards that focus on social aspects, e.g. SA 8000 and the coming ISO 26000, but for this report, mostly due to the limited time frame, standards on social issues have been left out, but could be interesting as further research.

We would also like to make an extended discussion on IKEA's EMS, to be able to analyse it from the theories on general environmental management that were presented in chapter 4.1 to 4.5. They were summarized in a framework, which highlights different qualitative features, see figure 17.

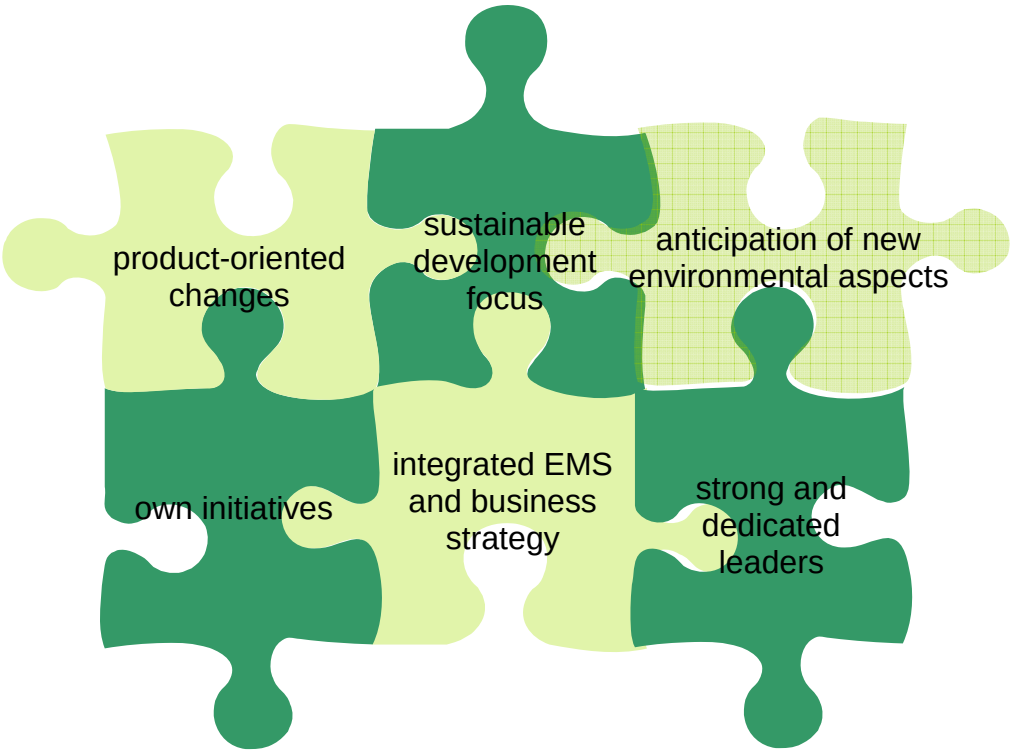



Figure 17: Qualitative features of environmental management

When researching material for this report and reading different theories on the subject, which discussed these qualitative features to environmental management, we saw the connection this had to IKEA's EMS. We conclude that:

- IKEA's social and environmental work is structured within an EMS that is driven by strong leadership and a sense of direction (e.g. through Anders Dahvigs' ambition and strategy Ten Jobs in Ten Years)
- The social and environmental work is acknowledged throughout the different IKEA Group companies, especially at management level, and is also well integrated with IKEA's overall business strategy
- The IKEA EMS acknowledges sustainable development as a central concept, which they build their whole social and environmental sustainability direction and strategies around. To IKEA it is crucial to integrate their social, environmental and economic aspects.
- One area that we think they have to consider more is in anticipating new environmental aspects, especially the ones that will come from the extensive expansion that IKEA is planning within the next years. The environmental achievements that IKEA accomplishes with actions such as reduction of energy use will be offset by an increase in production. Longer transport routes due to an increased production in far away countries are also a problem. We believe that this is an issue that is becoming more and more visible, and one that IKEA will have to face in the future. We also believe that there are different alternatives to choose from in facing this dilemma, e.g. working actively with finding innovations to further reduce environmental aspects due to production processes, and co-operating with different stakeholders on the issue, e.g. authorities and business partners. We especially believe that finding a way to see business benefits from these new environmental issues is a huge possibility and challenge for IKEA in the future.
- IKEA implements product-oriented changes (e.g. using renewable or recycled materials), which imply that they have come further in their environmental work than companies which only make end-of-pipe or process oriented changes.
- When it comes to taking own initiatives, as opposed to being hostile, defensive, or merely co-operative when dealing with legislation, IKEA has over the past decades moved from being accommodative (e.g. in responding to the early social and environmental events in the eighties) to proactive. They now try to anticipate legislation and regulation and choose partnerships and projects as a way to prevent social and environmental impacts due to child labour etc (e.g. in school projects in India).

# 11 Reflections

An important aspect that we have come to be aware of is that one of the features of standards is that they often work best when they are combined with other standards. Some companies choose to call their overall management system "their way of working", and include many different standards on quality, environment, social issues etc, in order to achieve a whole. In other words, ISO 14001 is a component developed to match the other standards works well if it's included in a group of standards. This is an aspect that is interesting when evaluating the standards, and could be used for future reports.

In our report, we have seen both benefits and disadvantages to the international standards for EMSs. The idea of a standard is attractive and it could achieve a lot of improvement if it was always used correctly. As basic as the requirements of ISO 14001 and EMAS may seem to e.g. a Swedish company, it sets very high standards in other parts of the world. If used in a regulatory way, the standards could unify and structure the social and environmental work in underdeveloped countries. But this would mean that they would have to become more controlling and linked with legislation and it is highly doubtful that this would work globally.

Finally, our work with this report has resulted in many thoughts around what can be considered as a reliable environmental management system. One conclusion that we have come to is that it is easy to get caught up in promising environmental policies, polished environmental reports, certifications, KPIs and even commercials which boasts environmental responsibility, but this doesn't actually say much about what is being achieved. As an average citizen it is hard to see the difference between a company with a strong set of values, which dares to do things differently to further their believes and a company that turns its coat to the wind in order to obtain a good image. IKEA's vision of "first doing, then talking", in spite of it perhaps contributing to stakeholder being unaware of their efforts, has been a kind of reassuring aspect. It implies that they have the best intentions with their social and environmental work. It seems that a company that incorporates soft values on management level, such as making the daily life better for the everyday people, into their business direction doesn't have to look far to find commitment for other soft values, such as environmental and social issues. This is a mentality with the possibility to make a good platform for an environmental and social management that can take a sustainable direction.

# Appendix 1: Terms and Definitions of ISO 14001

The following terms and definition are used by ISO and EMAS (SIS 2004):

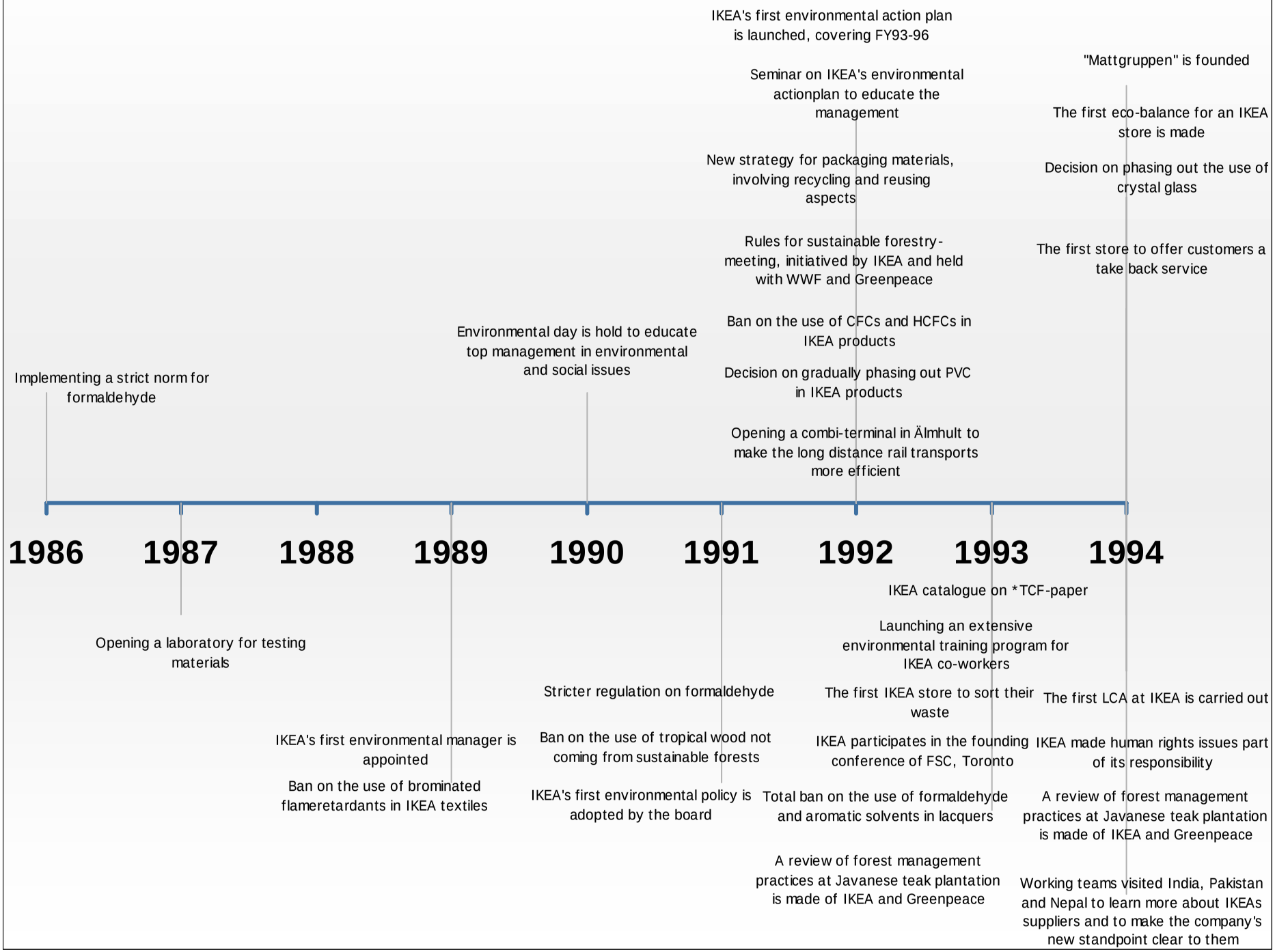
| | |
|---|---|
| Auditor: | Person with the competence to conduct an audit. |
| Continual improvement: | Recurring process of enhancing the environmental management system in order to achieve improvements in overall environmental performance consistent with the organization's environmental policy. NOTE: the process does not need to take place in all areas of activity simultaneously. |
| Corrective action: | Action to eliminate the cause of a detected nonconformity. |
| Document: | Information and its supporting medium. NOTE: The medium can be paper, magnetic, electronic or optical computer disc, photograph or master sample, or a combination thereof. |
| Environment: | Surroundings in which an organization operates, including air, water, land, natural resources, flora, fauna, humans, and their interrelation. NOTE: Surroundings in this context extended from within an organization to the global system. |
| Environmental aspect: | Element of an organization's activities or products or services that can interact with the environment. NOTE: A significant environmental aspect has or can have a significant environmental impact. |
| Environmental impact: | Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organization's environmental aspects. |
| Environmental management system: | Part of an organization's management system used to develop and implement its environmental policy and manage its environmental aspects. NOTE: A management system is a set of interrelated elements used to establish policy and objectives and to achieve those objectives. NOTE 2: A management system includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources. |
| Environmental objective: | Overall environmental goal, consistent with the environmental policy, that an organization sets itself to achieve. |
| Environmental performance: | Measurable results of an organization's management of its environmental aspects. NOTE: In the context of environmental management systems, results can be measured against the organization's environmental policy, environmental objectives, environmental targets and other environmental performance requirements. |
| Environmental policy: | Overall intentions and direction of an organization related to its environmental performance as formally expressed by top management. NOTE: The environmental policy provides a framework for action and for the setting of environmental objectives and environmental targets. |
| Environmental target: | Detailed performance requirement, applicable to the organization or parts thereof, that arises from the |

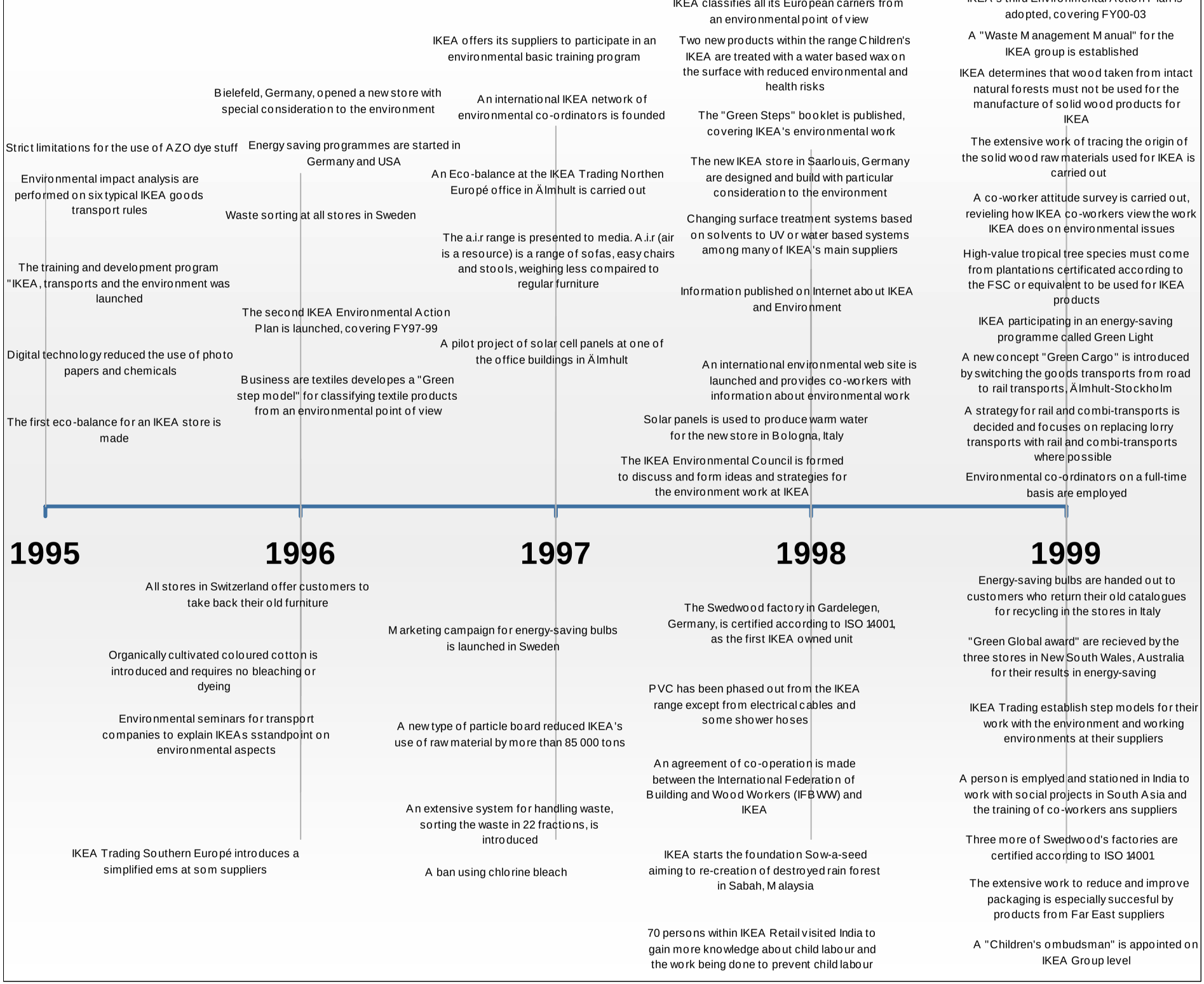
| | |
|---|---|
| | environmental objectives and that needs to be set and met in order to achieve those objectives. |
| Interested party: | Person or group concerned with or affected by the environmental performance of an organization. |
| Internal audit: | Systematic, independent and documented process for obtaining audit evidence and evaluation it objectively to determine the extent to which the environmental management system audit criteria set by the organization are fulfilled. NOTE: In many cases, particularly in smaller organizations, independence can be demonstrated by the freedom from responsibility for the activity being audited. |
| Nonconformity: | Non-fulfilment of a requirement. |
| Organization: | Company, corporation, firm, enterprise, authority or institution, or part or combination thereof, whether incorporated or not, public or private, that has its own functions and administration. NOTE: For organizations with more than one operating unit, a single operating unit may be defined as an organization. |
| Preventive action: | Action to eliminate the cause of a potential nonconformity. |
| Prevention of pollution: | Use of processes, practices, techniques, materials, products, services or energy to avoid, reduce or control (separately or in combination) the creation, emission or discharge of any type of pollutant or waste, in order to reduce adverse environmental impacts. NOTE: Prevention can include source reduction or elimination, process, product or service changes, efficient use of resources, material and energy substitution, reuse, recovery, recycling, reclamation and treatment. |
| Procedure: | Specified way to carry out an activity or a process. NOTE 1: Can be documented or not. |
| Record: | Document stating results achieved or providing evidence of activities performed. |

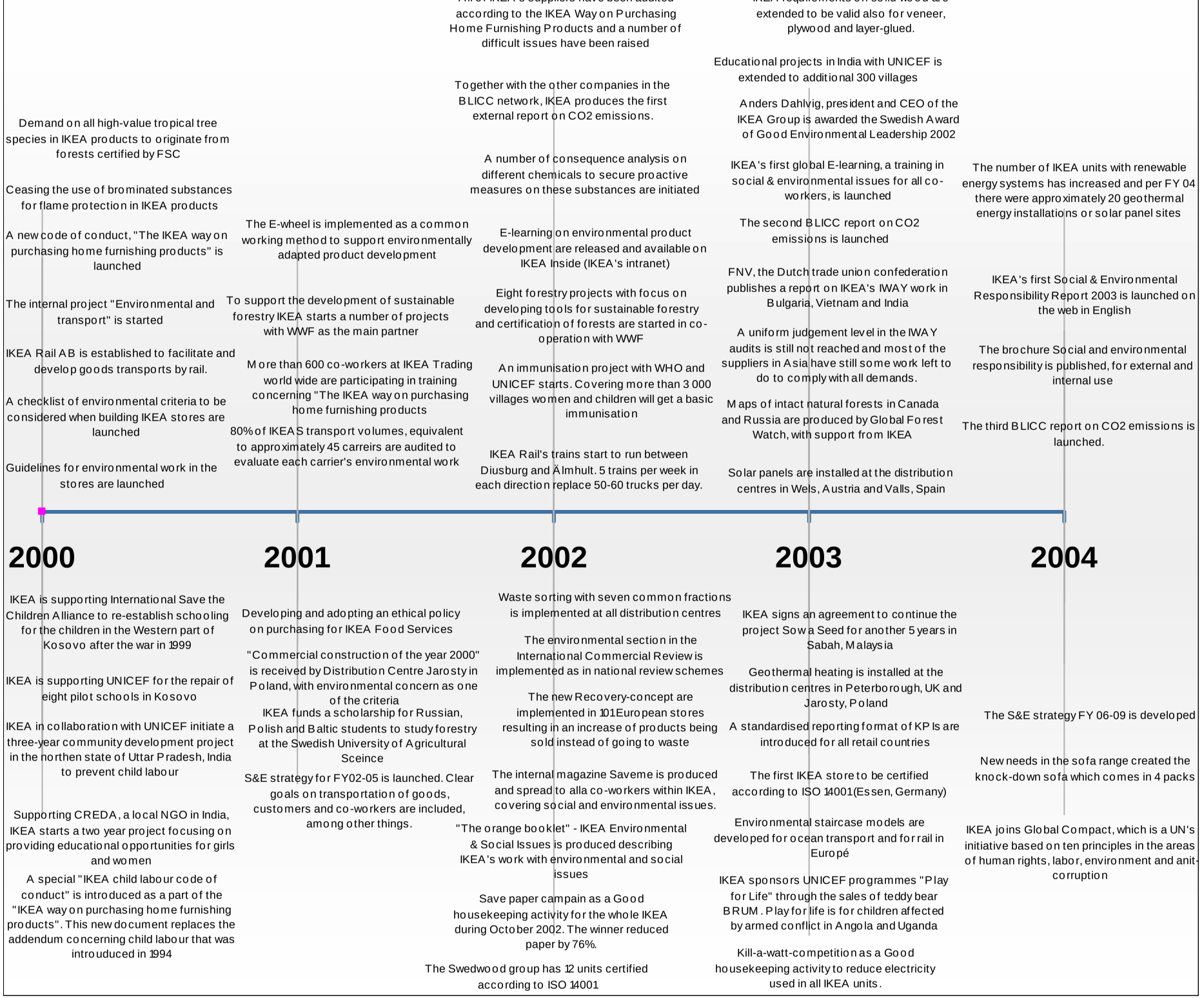
## Appendix 2: List of abbreviations

| | |
|---|---|
| BLICC | business leaders initiative on climate change |
| BSR | business for social responsibility |
| BWI | building and wood-workers international |
| CCWG | the clean cargo working group |
| CEO | chief executive officer |
| CMG | the compliance and monitoring group (at IKEA) |
| CSI | customer satisfaction index |
| CSR | corparate social responsibility |
| DNV | de norske veritas |
| EEA | European economic area |
| EMAS | eco-management and audit scheme |
| EMS | environmental management system |
| EU | the European union |
| FSC | forest stewardship council |
| FY | financial year |
| GMO | genitically modified organisms |
| GRI | global reporting initiative |
| GWF | global forest watch |
| HCVF | high conservation value forests |
| HVAC-Systems | heating, ventilation and aircondition-systems |
| IGR | IKEA goes renewable |
| ILO | international labour organization |
| IMS | indirekt materials & services (at IKEA) |
| INF | intact natural forests |
| ISO | international organization for standardization |
| KPI | key perform indicator |
| KPMG | Klynved, Peat, Marwick, Goerdeler |
| NGO | non-governmental organization |
| RDAP-scale | reactive-defensive-accommodative-proactive-scale |
| SECO Group | the social & environmental co-ordination group |
| SIS | Swedish standards institute |
| SSNC | the Swedish society for nature conservation |
| SWEDAC | the Swedish board for accreditation and conformity assessment |
| SWETIC | Swedish association for testing, inspection and certification |
| UN | united nations |
| UNCTAD | the united nations conference on trade and development |
| UNICEF | the united nations children's fund |
| WBCSD | the world business council for sustainable development |
| WWF | world wide fund for nature |

# Appendix 3: IKEA's social and environmental history




1995
1996
1997
1998
1999
Strict limitations for the use of AZO dye stuff
Environmental impact analysis are performed on six typical IKEA goods transport rules
The training and development program "IKEA, transports and the environment was launched
Digital technology reduced the use of photo papers and chemicals
The first eco-balance for an IKEA store is made
Bielefeld, Germany, opened a new store with special consideration to the environment
Energy saving programmes are started in Germany and USA
Waste sorting at all stores in Sweden
The second IKEA Environmental Action Plan is launched, covering FY97-99
Business are textiles developes a "Green step model" for classifying textile products from an environmental point of view
IKEA offers its suppliers to participate in an environmental basic training program
An international IKEA network of environmental co-ordinators is founded
An Eco-balance at the IKEA Trading Northen Europé office in Älmhult is carried out
The a.i.r range is presented to media. A.i.r (air is a resource) is a range of sofas, easy chairs and stools, weighing less compaired to regular furniture
A pilot project of solar cell panels at one of the office buildings in Älmhult
IKEA classifies all its European carriers from an environmental point of view
Two new products within the range Children's IKEA are treated with a water based wax on the surface with reduced environmental and health risks
The "Green Steps" booklet is published, covering IKEA's environmental work
The new IKEA store in Saarlouis, Germany are designed and build with particular consideration to the environment
Changing surface treatment systems based on solvents to UV or water based systems among many of IKEA's main suppliers
Information published on Internet about IKEA and Environment
An international environmental web site is launched and provides co-workers with information about environmental work
Solar panels is used to produce warm water for the new store in Bologna, Italy
The IKEA Environmental Council is formed to discuss and form ideas and strategies for the environment work at IKEA
IKEA's third Environmental Action Plan is adopted, covering FY00-03
A "Waste Management Manual" for the IKEA group is established
IKEA determines that wood taken from intact natural forests must not be used for the manufacture of solid wood products for IKEA
The extensive work of tracing the origin of the solid wood raw materials used for IKEA is carried out
A co-worker attitude survey is carried out, revieling how IKEA co-workers view the work IKEA does on environmental issues
High-value tropical tree species must come from plantations certificated according to the FSC or equivalent to be used for IKEA products
IKEA participating in an energy-saving programme called Green Light
A new concept "Green Cargo" is introduced by switching the goods transports from road to rail transports, Älmhult-Stockholm
A strategy for rail and combi-transports is decided and focuses on replacing lorry transports with rail and combi-transports where possible
Environmental co-ordinators on a full-time basis are employed
All stores in Switzerland offer customers to take back their old furniture
Organically cultivated coloured cotton is introduced and requires no bleaching or dyeing
Environmental seminars for transport companies to explain IKEAs sstandpoint on environmental aspects
IKEA Trading Southern Europé introduces a simplified ems at som suppliers
Marketing campaign for energy-saving bulbs is launched in Sweden
A new type of particle board reduced IKEA's use of raw material by more than 85 000 tons
An extensive system for handling waste, sorting the waste in 22 fractions, is introduced
A ban using chlorine bleach
The Swedwood factory in Gardelegen, Germany, is certified according to ISO 14001, as the first IKEA owned unit
PVC has been phased out from the IKEA range except from electrical cables and some shower hoses
An agreement of co-operation is made between the International Federation of Building and Wood Workers (IFBWW) and IKEA
IKEA starts the foundation Sow-a-seed aiming to re-creation of destroyed rain forest in Sabah, Malaysia
70 persons within IKEA Retail visited India to gain more knowledge about child labour and the work being done to prevent child labour
Energy-saving bulbs are handed out to customers who return their old catalogues for recycling in the stores in Italy
"Green Global award" are recieved by the three stores in New South Wales, Australia for their results in energy-saving
IKEA Trading establish step models for their work with the environment and working environments at their suppliers
A person is emplyed and stationed in India to work with social projects in South Asia and the training of co-workers ans suppliers
Three more of Swedwood's factories are certified according to ISO 14001
The extensive work to reduce and improve packaging is especially succesful by products from Far East suppliers
A "Children's ombudsman" is appointed on IKEA Group level


2000
Demand on all high-value tropical tree species in IKEA products to originate from forests certified by FSC
Ceasing the use of brominated substances for flame protection in IKEA products
A new code of conduct, "The IKEA way on purchasing home furnishing products" is launched
The internal project "Environmental and transport" is started
IKEA Rail AB is established to facilitate and develop goods transports by rail.
A checklist of environmental criteria to be considered when building IKEA stores are launched
Guidelines for environmental work in the stores are launched
IKEA is supporting International Save the Children Alliance to re-establish schooling for the children in the Western part of Kosovo after the war in 1999
IKEA is supporting UNICEF for the repair of eight pilot schools in Kosovo
IKEA in collaboration with UNICEF initiate a three-year community development project in the northen state of Uttar Pradesh, India to prevent child labour
Supporting CREDA, a local NGO in India, IKEA starts a two year project focusing on providing educational opportunities for girls and women
A special "IKEA child labour code of conduct" is introduced as a part of the "IKEA way on purchasing home furnishing products". This new document replaces the addendum concerning child labour that was introuduced in 1994
2001
The E-wheel is implemented as a common working method to support environmentally adapted product development
To support the development of sustainable forestry IKEA starts a number of projects with WWF as the main partner
More than 600 co-workers at IKEA Trading world wide are participating in training concerning "The IKEA way on purchasing home furnishing products
80% of IKEA S transport volumes, equivalent to approximately 45 carreirs are audited to evaluate each carrier's environmental work
Developing and adopting an ethical policy on purchasing for IKEA Food Services
"Commercial construction of the year 2000" is received by Distribution Centre Jarosty in Poland, with environmental concern as one of the criteria
IKEA funds a scholarship for Russian, Polish and Baltic students to study forestry at the Swedish University of Agricultural Sceince
S&E strategy for FY02-05 is launched. Clear goals on transportation of goods, customers and co-workers are included, among other things.
2002
All of IKEA's suppliers have been audited according to the IKEA Way on Purchasing Home Furnishing Products and a number of difficult issues have been raised
Together with the other companies in the BLICC network, IKEA produces the first external report on CO2 emissions.
A number of consequence analysis on different chemicals to secure proactive measures on these substances are initiated
E-learning on environmental product development are released and available on IKEA Inside (IKEA's intranet)
Eight forestry projects with focus on developing tools for sustainable forestry and certification of forests are started in co-operation with WWF
An immunisation project with WHO and UNICEF starts. Covering more than 3 000 villages women and children will get a basic immunisation
IKEA Rail's trains start to run between Diusburg and Älmhult. 5 trains per week in each direction replace 50-60 trucks per day.
Waste sorting with seven common fractions is implemented at all distribution centres
The environmental section in the International Commercial Review is implemented as in national review schemes
The new Recovery-concept are implemented in 101European stores resulting in an increase of products being sold instead of going to waste
The internal magazine Saveme is produced and spread to alla co-workers within IKEA, covering social and environmental issues.
"The orange booklet" - IKEA Environmental & Social Issues is produced describing IKEA's work with environmental and social issues
Save paper campain as a Good housekeeping activity for the whole IKEA during October 2002. The winner reduced paper by 76%.
The Swedwood group has 12 units certified according to ISO 14001
2003
Extended IKEA requirements on solid wood are extended to be valid also for veneer, plywood and layer-glued.
Educational projects in India with UNICEF is extended to additional 300 villages
Anders Dahlvig, president and CEO of the IKEA Group is awarded the Swedish Award of Good Environmental Leadership 2002
IKEA's first global E-learning, a training in social & environmental issues for all co-workers, is launched
The second BLICC report on CO2 emissions is launched
FNV, the Dutch trade union confederation publishes a report on IKEA's IWAY work in Bulgaria, Vietnam and India
A uniform judgement level in the IWAY audits is still not reached and most of the suppliers in Asia have still some work left to do to comply with all demands.
Maps of intact natural forests in Canada and Russia are produced by Global Forest Watch, with support from IKEA
Solar panels are installed at the distribution centres in Wels, Austria and Valls, Spain
IKEA signs an agreement to continue the project Sow a Seed for another 5 years in Sabah, Malaysia
Geothermal heating is installed at the distribution centres in Peterborough, UK and Jarosty, Poland
A standardised reporting format of KPIs are introduced for all retail countries
The first IKEA store to be certified according to ISO 14001(Essen, Germany)
Environmental staircase models are developed for ocean transport and for rail in Europé
IKEA sponsors UNICEF programmes "Play for Life" through the sales of teddy bear BRUM. Play for life is for children affected by armed conflict in Angola and Uganda
Kill-a-watt-competition as a Good housekeeping activity to reduce electricity used in all IKEA units.
2004
The number of IKEA units with renewable energy systems has increased and per FY 04 there were approximately 20 geothermal energy installations or solar panel sites
IKEA's first Social & Environmental Responsibility Report 2003 is launched on the web in English
The brochure Social and environmental responsibility is published, for external and internal use
The third BLICC report on CO2 emissions is launched.
The S&E strategy FY 06-09 is developed
New needs in the sofa range created the knock-down sofa which comes in 4 packs
IKEA joins Global Compact, which is a UN's initiative based on ten principles in the areas of human rights, labor, environment and anit-corruption

# Appendix 4: Partnerships

Today IKEA co-operates with the following organizations (IKEA Services AB 2006):

- Business Leaders' Initiative on Climate Change (BLICC). The organization provides a forum for companies to measure, report and reduce $CO_2$ emissions. IKEA initiated BLICC with the Body Shop in 2000. The result of the initiative is an annually published report where each of the companies involved report on emissions due to their businesses.
- Business for Social Responsibility (BSR). IKEA is a member of the global, non-profit organization, which helps companies achieve business success with respect corporate responsibility issues. They provide information, tools, training and advisory services.
- The Clean Cargo Working Group (CCWG). IKEA is a member of the group which BSR (mentioned above) organizes to further sustainable goods transportation.
- The Global Compact. IKEA has been a member of the UN founded organization since 2005. It provides policy dialogues, training, and networks to promote responsible corporate citizenship and ways to solve the challenges attributed to globalization.
- Global Forest Watch (GWF). IKEA supports the non-profit organization's mapping project, which aim to identify the world's intact natural forests.
- Greenpeace. IKEA has a dialogue with the non-profit organization, which focuses on biodiversity and environmental issues, on forestry related issues.
- The Green Power Market Development Group. IKEA is a member of the organization that is run by the World Resource Institute. The group provides a platform where companies can work together in developing tools and strategies on the issue of renewable energy sources.
- Forest Stewardship Council (FSC). The organization provides IKEA with a standard for third-party verified well-managed forests. This in order for the company to achieve their goals on sourcing and purchasing socially and environmentally appropriate wood.
- Save the Children. IKEA co-operates with the organization on both global and local projects, focusing on child labour prevention. The organization also helped IKEA define its code of conduct on child labour issues (described in chapter xx).
- The Swedish University of Agricultural Science. IKEA co-operated with the university in establishing a one-year programme in sustainable forestry, focusing on exchange between countries in the Baltic Region.
- UNICEF. IKEA has partnered on and supported the organization's global and local programmes for more than ten years. It involves fundraising and promotional activities, as well as projects. E.g. the children's rights project that IKEA and UNICEF initiated in northern India in 2000, to prevent and eliminate child labour.
- World Wide Fund for Nature (WWF). IKEA co-operates with the global conservation organization on forest projects. The aim is to spread information and education, support certification of responsible forest management, contribute to the development of global toolkits for forestry issues, and promote responsible forestry.
- Building and Wood Workers' International (BWI). A global union federation with more than 12 million members in the building, building materials, wood, forestry and allied industries. In 1998 IKEA and BWI signed an agreement on co-operation, which evolved into a new agreement on the IKEA code of conduct in 2001.

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## IKEA's Compliance to the Requirements of ISO 14001 and EMAS

| ISO 14001 and EMAS requirements (SIS 2004) | | Interpretation | IKEA's compliance/non-compliance |
|---|---|---|---|
| 4.1 General Requirements | The organization shall establish, document, implement, maintain and continually improve an environmental management system in accordance with the requirements of this International Standard and determine how it will fulfil these requirements.<br><br>The organization shall define and document the scope of its environmental management system. | Apart from setting up an EMS in accordance to ISO 14001 and EMAS, the general requirements involves that an organization regularly reviews its EMS, and implements the necessary changes for improvement (SIS 2004). It should also define the physical and organizational system boarders and what parts of the organization that should be included in the EMS (Piper, Ryding et al. 2004). The organization is also required to set the pace, the scope and the time frame for this continuous improvement process, in consideration to their economical and other conditions. All in the purpose of achieving better environmental performance. | IKEA complies with parts of this requirement. The IKEA Group has set up the system boarders for its EMS, which includes all aspects of the IKEA Group business. The EMS involves documentation systems, implementation of strategies and action plans, monitoring and measuring, reviews and follow-ups, but since IKEA has not used the requirements of ISO 14001 and EMAS as a template for its EMS they won't necessarily fulfil the first general requirement to comply with ISO 14001 and EMAS. |
| 4.2 Environmental policy | Top management shall define the organization's environmental policy and ensure that, within the defined scope of its environmental management system, it<br>a) is appropriate to the nature, scale and environmental | The environmental policy constitutes the highest governing document when an organization is to introduce an EMS. The requirement therefore demands that the policy is formulated to mirror the top management's intentions to | According to our interpretation, IKEA complies with this requirement. The IKEA Group management adapted the latest version of the environmental policy, called the *sustainability direction*, in 2005. It states "the IKEA business |

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|---|---|---|---|
| | impacts of its activities, products and services,<br>b) includes a commitment to continual improvement and prevention of pollution,<br>c) includes a commitment to comply with applicable legal requirements and with other requirements to which the organization subscribes which relate to its environmental aspects,<br>d) provides the framework for setting and reviewing environmental objectives and targets,<br>e) is documented, implemented and maintained,<br>f) is available to the public. | follow the relevant legal and other requirements, prevent pollution and achieve continuous improvement (SIS 2004). It should provide the framework for the environmental objectives and targets, include the environmental aspects of the business, and the scope of the EMS. It is also important that it is concise enough so that both internal and external stakeholders could easily understand it. The policy should be reviewed and, if necessary, updated regularly to reflect changed conditions. The requirement also demands that the policy is communicated to all of the co-workers of the organization and that it is decided on and anchored at top management level. It is very important that it becomes a tool that directs the organizations environmental work in line with the view of the top management. The policy should also be distributed externally (Piper, Ryding et al. 2004). | shall have an overall positive impact on people and the environment", a formulation that includes the whole IKEA Group business and therefore all of the company's social and environmental impacts and requirements. Our interpretation is that it ensures continual improvement and provides a framework for IKEA's social and environmental strategies, which contains social and environmental goals and actions, since it strives towards *positive* impact. To be able to achieve this, a company really has to be proactive and regularly raise the bar. More importantly, the sustainability direction is easily communicated and understood, both internally and externally, due to its concise and clear formulation. The sustainability direction is part of the foundation for each new Social & Environmental Strategy, and is documented, implemented, maintained and reviewed by IKEA Social & Environmental Affairs and IKEA Group management, in connection to follow ups. |
| 4.3 Planning | | | |
| 4.3.1 Environmental | The organization shall establish, | This section of requirements | IKEA complies with this |

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| aspects | implement and maintain a procedure(s)<br>▪ to identify the environmental aspects of its activities, products and services within the defined scope of the environmental management system that it can control and those that it can influence taking into account planned or new developments, or new or modified activities, products and services, and<br>▪ to determine those aspects that have or can have significant impact(s) on the environment (i.e. significant environmental aspects).<br>The organization shall document this information and keep it up to date.<br>The organization shall ensure that the significant environmental aspects are taken into account in establishing, implementing and maintaining its environmental management system. | demands that the organization identifies its environmental aspects, which arise due to its activities, products or services, or future planned developments (SIS 2004). The organization should also determine their significance. The way in which these environmental aspects are identified is optional, but it is required that the whole business of the organization is analysed, e.g. including the supply chain or a products end-of-life (Piper, Ryding et al. 2004). Consideration should be given to aspects of the organization's business, such as:<br>▪ Design and development<br>▪ Manufacturing processes<br>▪ Packaging and transportation<br>▪ Environmental performance and practices of contractors and suppliers<br>▪ Waste management<br>▪ Extraction and distribution of raw | requirement. The company have since the late eighties been aware of their environmental aspects. The strategies of today are based on social and environmental aspects that were identified and prioritized through a global analysis made in 2003, by the IKEA SECO Group (Bergmark 2006). These aspects cover the whole IKEA Group business (they involve everything from product design to work with suppliers and sub-suppliers), are a basis for IKEA's social and environmental focus areas, and are continually analysed and reviewed in connection to follow ups and new strategies. |

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| | | materials and natural resources<br>▪ Distribution, use and end-of-life products<br>▪ Wild-life and biodiversity<br><br>When gathering information on their environmental aspects, the organization should also take documentation into account. It is important to be able to put them in an historical context, or to put them in relation to new developments, later on (SIS 2004). | |
| 4.3.2 Legal and other requirements | The organization shall establish, implement and maintain a procedure(s)<br>▪ to identify and have access to the applicable legal requirements and other requirements to which the organization subscribes related to its environmental aspects,<br>▪ to determine how these requirements apply to its environmental aspects.<br><br>The organizations shall ensure that these applicable legal requirements and other requirements to which the | I.e. the organization should identify laws and other requirements (e.g. customer demands, management requirements, international conventions, the opinions of NGOs, etc) that are relevant for the organization's whole business (Piper, Ryding et al. 2004). | IKEA complies with this requirement. Legal Affairs at IKEA Services AB in Helsingborg manages all legal requirements that the IKEA Group have to comply with. The social and environmental focus areas and strategies that IKEA set up take these into account, as well as all social and environmental requirements that can be found in the BSR database (Bergmark 2006). Opinions of different stakeholders, such as customers, NGOs and suppliers, are collected through surveys and partnerships (IKEA Services AB 2006). |

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| | organization subscribes are taken into account in establishing, implementing and maintaining its environmental management system. | | |
| 4.3.3 Objectives, targets and programme(s) | The organization shall establish, implement and maintain documented environmental objectives and targets, at relevant functions and levels within the organization. | I.e. the organization should set up goals that respond to their environmental aspects, and make action plans to achieve these goals. ISO 14001 or EMAS definitions for objectives and targets are open to interpretation, but it is important that they are anchored at top management level and that the effectiveness of the Deming Cycle model is maintained by seeing objectives and targets as projects with a decided time plan. Each target and objective should have a decided action plan, a programme (Piper, Ryding et al. 2004). | IKEA complies with this requirement. The social and environmental strategies are founded in the sustainability direction as well as the social and environmental focus areas and are anchored at IKEA Group level. It sets up goals that are to be obtained within the strategic time frame for all parts of the business, which are then implemented by different actions. Continual improvement is worked towards with each new strategy, in accordance with the sustainability direction. Some goals are quantitative and are monitored and measured e.g. through the use of KPIs. The strategy is adapted to different business areas where the responsibility for implementation of the actions is directed. |
| | The objectives and targets shall be measurable, where practicable, and consistent with the environmental policy, including the commitments to prevention of pollution, to compliance with applicable legal requirements and with other requirements to which the organization subscribes, and to continual improvement. | | |
| | When establishing and reviewing its objectives and targets, an organization shall take into account the legal requirements and other requirements to which the organization subscribes, and its significant environmental aspects. It shall also consider its technological options, its financial, operational and business requirements, and the views of interested parties. | | |
| | The organization shall establish, | | |

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| | implement and maintain a programme(s) for achieving its objectives and targets. Programme(s) shall include<br>a) designation of responsibility for achieving objectives and targets at relevant functions and levels of the organization, and<br>b) the means and time-frame by which they are to be achieved. | | |
| 4.4 Implementation and operation | | | |
| 4.4.1 Resources, roles, responsibility and authority | Management shall ensure the availability of resources essential to establish, implement, maintain and improve the environmental management system. Resources include human resources and specialized skills, organizational infrastructure, technology and financial resources. | I.e. the different responsibilities, competences and departments needed for the implementation of the EMS should be appointed. | IKEA complies with this requirement. Keeping the sufficient internal competence for social and environmental work is actually a focus area and a part of the social and environmental strategies (IKEA SECO Group 2006). Roles are defined and responsibility is distributed throughout the whole IKEA Group organization, from the manager of Social & Environmental Affairs (who regularly reports to top management (Bergmark 2006)) to the environmental co-ordinators at each IKEA Group store. Although issues of difficulties with the vertical communication and lack of time |
| | Roles, responsibilities and authorities shall be defined, documented and communicated in order to facilitate effective environmental management. | | |
| | The organization's top management shall appoint a specific management representative(s) who, irrespective of other responsibilities, shall have | | |

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| | defined roles, responsibilities and authority for<br>a) ensuring that an environmental management system is established, implemented and maintained in accordance with the requirements of this International Standard,<br>b) reporting to top management on the performance of the environmental management system for review, including recommendations for improvement. | | might exist, improvement is worked towards with each new strategy (Larsson 2006) |
| 4.4.2 Competence, training and awareness | The organization shall ensure that any person(s) performing tasks for it or on its behalf that have the potential to cause a significant environmental impact(s) identified by the organization is (are) competent on the basis of appropriate education, training or experience, and shall retain associated records. | I.e. the organization should set up and conduct environmental training and education of all its co-workers. | IKEA complies with this requirement. Ever since the start of the nineties training programmes have been used for education all levels of co-workers on social and environmental issues, e.g. the E-learning and special training for co-workers with special social and environmental responsibilities. The area of education and training is also a part of the social and environmental strategies and is monitored through co-worker and supplier surveys (IKEA Services AB 2006). |
| | The organization shall identify training needs associated with its environmental aspects and its environmental management system. It shall provide training or take other action to meet these needs, and shall | | |

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| | retain associated records. | | |
| | The organizations shall establish, implement and maintain a procedure(s) to make persons working for it or on its behalf aware of<br>a) the importance of conformity with the environmental policy and procedures and with the requirements of the environmental managements system,<br>b) the significant environmental aspects and related actual or potential impacts associated with their work, and the environmental benefits of improved personal performance,<br>c) their roles and responsibilities in achieving conformity with the requirements of the environmental management system, and<br>d) the potential consequences of departure from specified procedures. | | |
| 4.4.3 Communication | With regard to its environmental aspects and environmental management system, the organization shall establish, implement and | I.e. the organization should set up routines for internal communication, on topics such as environmental policy, targets and | IKEA complies with this requirement, both according to ISO 14001 and EMAS. Internal communication is based on a |

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| | maintain a procedure(s) for<br>a) internal communication among the various levels and functions of the organization,<br>b) receiving, documenting and responding to relevant communication from external interested parties.<br><br>The organization shall decide whether to communicate externally about its significant environmental aspects, and shall document its decision. If the decision is to communicate, the organization shall establish and implement a method(s) for its external communication. | objectives, and reporting of the environmental performance. If ISO 14001 certification is desired the organization must decide weather to extend this communication externally (Piper, Ryding et al. 2004). If EMAS registration is the goal the organization must publish an annual environmental report, informing on the goals for continuous improvement, the environmental policy, the programmes, the EMS at large, and the environmental performance (Piper, Ryding et al. 2004). | communication platform (IKEA Group 2003), and different kinds of sources, e.g. the IKEA Inside intranet and the co-worker paper Saveme, distribute social and environmental information throughout the whole IKEA Group organization. IKEA routinely reports externally on its social and environmental work through different brochures and the annual Social & Environmental Responsibility Report, but have for long made the decision not to use the information in communication with the market or customers. This is changing, though, and more information will be found in stores, the catalogue and customer magazines. Opinions of different stakeholders, such as suppliers and customers, are collected and acknowledged through different surveys (IKEA Services AB 2006). |
| 4.4.4 Documentation | The environmental management system documentation shall include<br>a) the environmental policy, objectives and targets,<br>b) description of the scope of the environmental management system | I.e. the organization must document certain parts of the EMS. How this documentation is compiled can vary, e.g. many organizations make an environmental manual that uses the same numbering as the requirements of ISO 14001 and | IKEA only complies with part of this requirement. The social and environmental strategies, the annual Social & Environmental Responsibility report and the IKEA Inside intranet contains information about the sustainability direction (i.e. |

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| | c) description of the main elements of the environmental management system and their interaction, and reference to related documents,<br>d) documents, including records, required by this International Standard, and<br>e) documents, including records, determined by the organization to be necessary to ensure the effective planning, operation and control of processes that relate to its significant environmental aspects. | EMAS. But as long as the organization can cross reference the different documents that contain the certain required information, they don't have to summarize everything in one place (Piper, Ryding et al. 2004). | the equivalent of the environmental policy), the focus areas, strategies, goals and actions, the scope of the EMS, and the different documentation needed for operation (e.g. the IWAY documents and handbooks). But the documentation does not, for obvious reasons, include specific documentation and records required by ISO 14001 and EMAS. |
| 4.4.5 Control of documents | Documents required by the environmental management system and by this International Standard shall be controlled. Records are a special type of document and shall be controlled in accordance with the requirements given in 4.5.4.<br>The organization shall establish, implement and maintain a procedure(s) to<br>a) approve documents for adequacy prior to issue,<br>b) review and update as necessary and re-approve documents, | I.e. the organization should set up a system for documents that need to be controlled and appoint representatives with the right to issue these documents. The organization should also ensure that documents aren't out of date and that those containing environmental performance results are controlled. A distribution list for the documents should also be set up (Piper, Ryding et al. 2004). | IKEA doesn't necessarily comply with this requirement. The IKEA Group doesn't have any set routines for the control of documentation; the company have always had a very un-bureaucratic attitude. This said, documents describing all kinds of aspects to IKEA's social and environmental work, e.g. strategies, audit reports, action plans, handbooks and checklists, are stored and published on the IKEA Intranet. The management follow up on strategies and activities, and full responsibility is given to different |

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| | c) ensure that changes and the current revision status of documents are identified,<br>d) ensure that relevant versions of applicable documents are available at points of use,<br>e) ensure that documents remain legible and readily identifiable,<br>f) ensure that documents of external origin determined by the organization to be necessary for the planning and operation of the environmental management system are identified and their distribution controlled, and<br>g) prevent the unintended use of obsolete documents and apply suitable identification to them if they are retained for any purpose. | | business areas to do make documentation. Documents are revised and updated in connection to changes or new knowledge. |
| 4.4.6 Operational control | The organization shall identify and plan those operations that are associated with the identified significant environmental aspects consistent with its environmental policy, objectives and targets, in order to ensure that they are carried out under specified conditions, by<br>a) establishing, implementing and maintaining a | I.e. the organization should make action plans with determined routines to secure their environmental goals, and assure that these are understood and implemented by the affected business area (Piper, Ryding et al. 2004). | IKEA complies with this requirement. The social and environmental strategies, which are founded in the sustainability direction, identify the needed goals and actions for the different prioritized focus areas. Guiding documents and plans are set up for the actions, such as IWAY implementation, the use of |

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| | documented procedure(s) to control situations where their absence could lead to deviation from the environmental policy, objectives and targets, and<br>b) stipulating the operating criteria in the procedure(s), and<br>c) establishing, implementing and maintaining procedures related to the identified significant environmental aspects of goods and services used by the organization and communicating applicable procedures and requirements to suppliers, including contractors. | | environmental building standards for IKEA buildings etc. The social and environmental strategies involve all parts of the IKEA Group business, including suppliers, and measures are taken to inform all affected parts with the proper documentation. |
| 4.4.7 Emergency preparedness and response | The organization shall establish, implement and maintain a procedure(s) to identify potential emergency situations and potential accidents that can have an impact(s) on the environment and how it will respond to them.<br>The organization shall respond to actual emergency situations and accidents and prevent or mitigate associated adverse environmental | I.e. the organization should make an inventory of their processes that could lead to environmental accidents, and make a list of all activities containing risks. Routines should be documented describing how environmental accidents should be handled and prevented, and affected personnel should be trained and educated (Piper, Ryding | IKEA complies with this requirement. The requirement mainly effect producers and manufacturing industries, with risks of pollution etc. from factories. IKEA is not an actual manufacturer, they buy most of their products, but the IKEA Group company Swedwood have procedures for emergencies since they are ISO 14001 certified. IKEA requires these kinds of emergency routines from |

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| | impacts. | et al. 2004). | their external suppliers in their IWAY approval procedures. When it comes to their direct business of designing and retailing, IKEA have different routines set up, e.g. a recall management system for situations where products for sale are found to be a risk for health or environment, in spite of taking this into account during the design and production process (IKEA Services AB 2006), and evacuation routines in case of fire in the stores. |
| | The organization shall periodically review and, where necessary, revise its emergency preparedness and response procedures, in particular, after the occurrence of accidents or emergency situations. | | |
| | The organization shall also periodically test such procedures where practicable. | | |
| 4.5 Checking | | | |
| 4.5.1 Monitoring and measurement | The organization shall establish, implement and maintain a procedure(s) to monitor and measure, on a regular basis, the key characteristics of its operations that can have a significant environmental impact. The procedure(s) shall include the documenting of information to monitor performance, applicable operational controls and conformity with the organization's environmental objectives and targets. | I.e. the organization should make an inventory of the indicators that can be used to monitor the environmental performance of each goal and action, and set up routines for the collection of data. Responsibilities within the organization for the management of these indicators should be assigned (Piper, Ryding et al. 2004).. | IKEA complies with this requirement. Many of the goals, e.g. for $CO_2$ emission reduction or IWAY approval, in the social and environmental strategy are quantitative and measurable. All goals are monitored in different ways, by the annual results from actions; e.g. surveys, projects, audits and checklists, and KPIs. These are analysed regularly and are used to evaluate each part of the strategy. This way IKEA regularly monitors its performance on social and environmental goals and actions. The results are followed up on IKEA Group management level. The IKEA |
| | The organization shall ensure that calibrated or verified monitoring and measurement equipment is used and maintained and shall retain associated records. | | |

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| | | | procedure of reporting these performance indicators are by publishing them both internally and externally, e.g. through the IKEA Inside intranet, the BLICC report, and the Social & Environmental Responsibility Report. |
| 4.5.2 Evaluation of compliance | | I.e. the organization should identify the indicators that are connected to legal and other requirements that their business is affected by, to be able to show that they comply. They should also set up routines that verify compliance (Piper, Ryding et al. 2004). | IKEA complies with this requirement. Legal and other requirements, such as for hazardous materials, working conditions etc, are taken into account in many different actions, and indicators that verify compliance can be found in different documents, i.e. the IWAY audit reports, declarations of contents etc. |
| 4.5.2.1 | Consistent with its commitment to compliance, the organization shall establish, implement and maintain a procedure(s) for periodically evaluating compliance with applicable legal requirements. | | |
| | The organization shall keep records of the results of the periodic evaluations. | | |
| 4.5.2.2 | The organization shall evaluate compliance with other requirements to which it subscribes. The organization may wish to combine this evaluation with the evaluation of legal compliance referred to in 4.5.2.1 or to establish a separate procedure(s). | | |
| | The organizations shall keep records of the results of the periodic evaluations. | | |
| 4.5.3 Nonconformity, | The organization shall establish, | I.e. the organization should make a | IKEA complies partly with this |

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| corrective action and preventive action | implement and maintain a procedure(s) for dealing with actual and potential nonconformity(ies) and for taking corrective action and preventive action. The procedure(s) shall define requirements for<br>a) identifying and correcting nonconformity(ies) and taking action(s) to mitigate their environmental impacts,<br>b) investigating conformity(ies), determining their cause(s) and taking actions in order to avoid their recurrence,<br>c) evaluating the need for action(s) to prevent nonconformity(ies) and implementing appropriate actions designed to avoid their occurrence,<br>d) recording the results of corrective action(s) and preventive action(s) taken, and<br>e) reviewing the effectiveness of corrective action(s) and preventive action(s) taken. | routine for learning from their mistakes. This involves identifying, investigating and correcting non-conformities, and judging weather preventive measures need to be taken for the future. All this should be properly documented and reported and the effectiveness of possible preventive measures should be evaluated (Piper, Ryding et al. 2004). | requirement. The procedures in cases of nonconformity to EMS differ. All social and environmental strategies that IKEA develops are based on annual evaluations of results, which point to non-conformities and necessary corrective and preventive actions. Different specific actions and tools are used to assure conformity to the IKEA EMS. E.g. nonconformity among suppliers is reviewed and acted upon according to IWAY. The stores and distribution units take corrective and preventive actions according to Commercial Review and Distribution Unit Review. But the lack of routines for non-conformity reports probably means that IKEA can't entirely comply with this requirement |

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| | Actions taken shall be appropriate to the magnitude of the problems and the environmental impacts encountered.<br>The organization shall ensure that any necessary changes are made to the environmental management system documentation. | | |
| 4.5.4 Control of records | The organization shall establish and maintain records as necessary to demonstrate conformity to the requirements of its environmental managements system and of this International Standard, and the results achieved.<br>The organization shall establish, implement and maintain a procedure(s) for the identification, storage, protection, retrieval, retention and disposal of records.<br>Records shall be and remain legible, identifiable and traceable. | I.e. documents containing results of monitoring and measuring, e.g. lists of co-workers that have been trained and educated or reports on $CO_2$ emissions, must be controlled by set routines (Piper, Ryding et al. 2004). | IKEA only comply with parts of this requirement. IKEA follow up, document and publish the different results from its EMS monitoring and measuring system (i.e. KPIs, review and survey results etc) in certain sources, e.g. the Social & Environmental Responsibility report, the BLICC Report and the IKEA Inside intranet. But the IKEA Group, once again, does not have a set standardized procedure for e.g. the storage, protection, and disposal of documentation and records. |
| 4.5.5 Internal audit | The organization shall ensure that internal audits of the environmental management system are conducted at planned intervals to<br>a) determine whether the environmental management system<br>1) conforms to planned | I.e. certain internal staff members, judged by the organization to be competent, properly trained, and able to work objectively, shall monitor the performance of the EMS through regular audits. The organization should also assess the need for external auditors (Piper, | IKEA complies with this requirement. There are competent internal auditors within the IKEA Group organization that work according to set routines, e.g. the CMG Group which audits the IKEA Trading Services offices in relation to the supplier code of conduct, IWAY, |

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| | arrangements for environmental management including the requirements of this International Standard, and<br>2) has been properly implemented and is maintained, and<br>b) provide information on the results of audits to management. | Ryding et al. 2004). | and the auditors that perform Commercial Review and Distribution Unit Review. External auditors are also hired when it comes to monitoring suppliers. Audit results are documented by IKEA Social & Environmental Affairs, and can be found e.g. at the IKEA Inside intranet. |
| | Audit programme(s) shall be planned established, implemented and maintained by the organization, taking into consideration the environmental importance of the operation(s) concerned and the results of previous audits. | | |
| | Audit procedure(s) shall be established, implemented and maintained that address<br>- the responsibilities and requirements for planning and conducting audits, reporting results and retaining associated records,<br>- the determination of audit criteria, scope, frequency and methods. | | |
| | Selection of auditors and conduct of audits shall ensure objectivity and the | | |

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| | impartiality of the audit process. | | |
| 4.6 Management review | Top management shall review the organization's environmental management system, at planned intervals, to ensure its continuing suitability, adequacy and effectiveness. Reviews shall include assessing opportunities for improvement and the need for changes to the environmental management system, including the environmental policy and environmental objectives and targets. Records of the management reviews shall be retained. | I.e. certain parts of the EMS must be regularly reported to, and reviewed by, the top management (Piper, Ryding et al. 2004). | IKEA complies with this requirement. The manager of Social & Environmental Affairs annually reports on the results and development of the social and environmental strategy and its focus areas. This process involves the discussion of performance, changing situations, improvement possibilities etc. |
| | Input to the management reviews shall include<br>a) results of internal audits and evaluations of compliance with legal requirements and with other requirements to which the organization subscribes,<br>b) communication(s) from external interested parties, including complaints,<br>c) the environmental performance of the organization, | | |

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| | d) the extent to which objectives and targets have been met,<br>e) status of corrective and preventive actions,<br>f) follow-up actions from previous management reviews,<br>g) changing circumstances, including developments in legal and other requirements related to the environmental aspects, and<br>h) recommendations for improvement. | | |
| | The outputs from management reviews shall include any decisions and actions related to possible changes to environmental policy, objectives, targets and other elements of the environmental management system, consistent with the commitment to continual improvement. | | |

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