



Codes of conduct and international framework agreements: New forms of governance at company level

Case study: IKEA

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The interviews for this case study were conducted in January and February 2007 with representatives of IKEA management, the European Works Council and the Building and Wood Workers International Union. In addition, internal material on the IKEA code of conduct (IWAY) and already existing studies have been used to compile this case study.

Information about the company

The well-known company IKEA has grown over the last decade to a worldwide operating furnishing company with a turnover of more than 17 billion euro in 2006. Today, IKEA has operations in 44 countries with 104,000 employees, 89,500 of them in Europe. The total number of IKEA stores around the world is 250, and the IKEA Group itself owns 221 of them. The remaining 29 stores are owned and run by franchisees. The sales of the Group between 1 September 2005 and 31 August 2006 totalled 17.8 billion euro. Eighty per cent of the stores are in Europe, the rest divided between North America (17%) and Asia and Australia (together totalling 3%).

IKEA is a fast growing company. The three most important markets for future developments are the US, Russia and China. However, growth is stymied by insufficient supply. 'We cannot increase by more than 20 stores a year because supply is the bottleneck.'¹ If sales keep growing at the same pace as during the last 10 years, IKEA will in 2010 need to source twice as much material as in 2005.

The company's basic commercial aim is '[...] to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.'²

The IKEA vision 'to create a better everyday life for the many people [the public]' encompasses also the responsibility of producing and selling the products in a socially responsible way and fostering an open corporate culture which builds on the idea of giving the people the opportunity to grow as individuals and in their professional role. 'The aim is to make products which have a minimum impact on the environment. And to manufacture them in a socially responsible way.'³

The core business is the selling of home furnishings, but an important additional business field is the development, purchase and production of wood-based furniture and components in association with suppliers⁴. The industrial arm of IKEA is called Swedwood and produces wood-based furniture and components. It owns 36 factories and sawmills in nine countries and has 12,900 employees.

Purchasing is the third most important part of the business. IKEA has 46 trading offices all over the world, which also monitor the production of more than 1,300 suppliers in 54 countries.

Sixty-nine per cent of the company's purchases are made in Europe, while the remaining sales are divided between Asia (28%) and North America (3%). China is the biggest single purchaser of the company's products, Poland is next with 14%, followed by Italy (8%), Sweden (7%) and Germany (6%).

¹ Lennart Dahlgren, country manager Russia, in *Business Week*, No. 14, 2005.

² See also the IKEA company brochure *IKEA Facts and Figures – The IKEA Group 2006*.

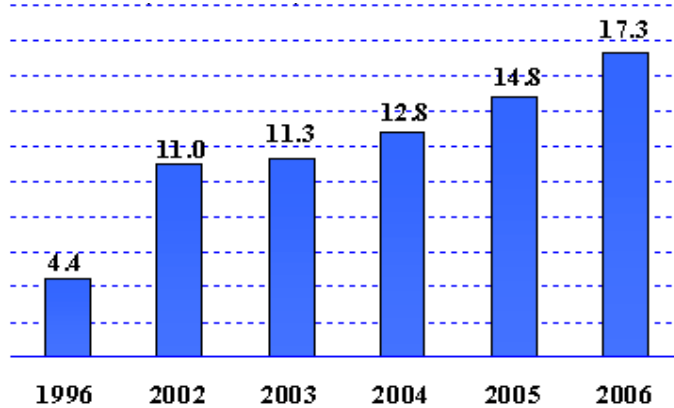
³ See IKEA brochure *Social and Environmental Responsibility*, 2004.

⁴ Ibid.

The company was founded in the 1940s in Sweden by Ingvar Kamprad, who still owns it today through the Stichting INGKA Foundation, registered in the Netherlands. The foundation is the sole owner of the INGKA Holding B.V., which is the parent company of all IKEA Group companies. Inter IKEA Systems B.V. is the owner of the IKEA concept and trademark and has franchising agreements with every IKEA store in the world. The IKEA Group is the biggest franchisee. The Group includes Swedwood (for supplies) and IKEA Services B.V. and AB (the staff units in the Netherlands and Sweden).⁵

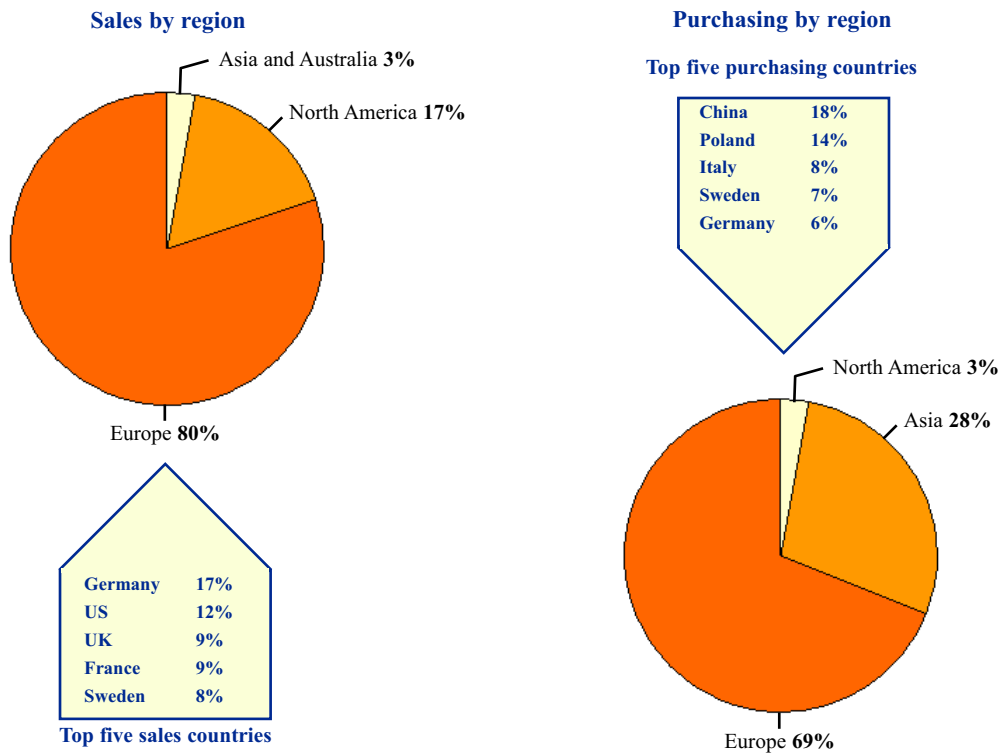
Figure 1: *Development of turnover*

Sales 1996-2006 (billions of euros)



Source: *IKEA Facts and Figures – The IKEA Group 2006*.

Figure 2: *Employees, sales and purchasing by regions*

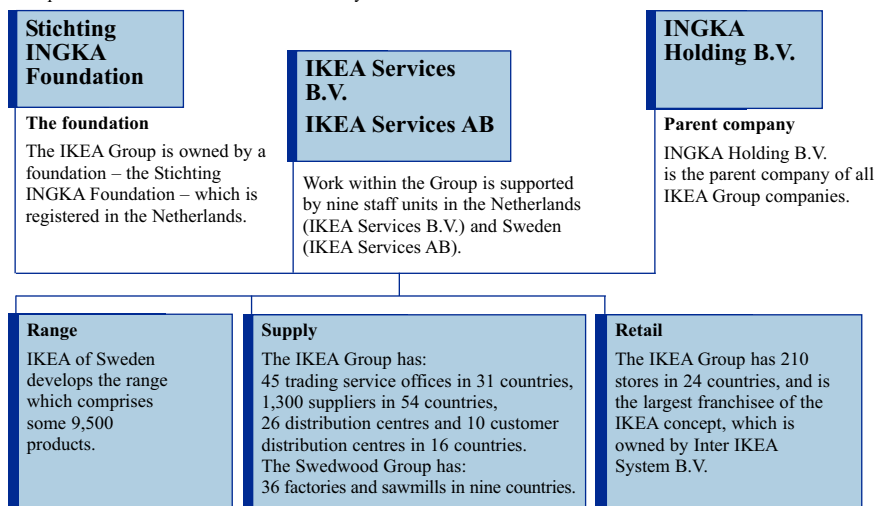


Source: *IKEA Facts and Figures – The IKEA Group 2006*.

⁵ Ibid.

Figure 3: Structure of the IKEA group

The IKEA Group consists of a number of companies – from the industrial group Swedwood to the retail companies that own the stores in each country.



Source: *IKEA Facts and Figures – The IKEA Group 2006*.

Table 1: Profile of IKEA

Features	Data
History	Founded: 1940
Industry sector	Furniture
Ownership structure	Foundation
Employment home country	Sweden: n.a.
Employment worldwide	104,000
CSR context	Global Compact: Yes, since 2005

Source: *Wilke et al.*

Industrial relations context

The IKEA corporate culture is very much influenced by the idea of equality and the general vision to create a better everyday life for the public. IKEA summarises its human resource idea: ‘to give down-to-earth, straightforward people the opportunity to grow, both as individuals and in their professional roles, so that together we are committed to creating a better everyday life for ourselves and our customers.’⁶

This, and the company’s Swedish background, explains to a large extent the very cooperative, dialogue-orientated internal corporate culture. Part of this culture is an open dialogue with trade unions and workers’ representatives at the local level.

⁶ *IKEA Facts and figures 2006*, p.7.

IKEA's policy in all countries where the company is active is to take the national level of legislation and remuneration standards as a starting point. IKEA does not pay the highest wages but offers secure and reasonable terms of employment.

Employee interest representation is organised at the national level. Since 1999, IKEA also has a European Works Council. 'The Council is an information, thinking and exchange structure set up to deal with economic, financial and labour issues which, because of their strategic importance or their global character, are apt to be of interest for the European entities of the IKEA Group of companies ... the Council will not involve itself in matters or questions that are solely of national or local origin.'⁷

In general, the relations between IKEA, local employee representations and trade unions are good. The unusually open corporate culture within IKEA finds expression in several symbols and activities. For example, IKEA in all publications refer to employees as co-workers, everybody is called by his / her first name in direct communication and managers are obliged to work for some days every year in sales or in production.

Table 2: *Profile of IKEA industrial relations*

Features	Data
Organisation of employee interest representation home-country	Works Council Company Works Council (<i>Gesamtbetriebsrat</i>)
Trade union structures home-country union membership	Sweden – trade union LO Sweden, membership high
Board-level representation	No
Other forms of participation	Intense participation at shop floor level
European Works Council	Yes
Negotiation role of EWC / joint texts	No – only very limited
Other forms of cross-border interest representation	No – there is a monitoring group with international trade union for code of conduct

Source: *Wilke et.al.*

IKEA framework agreement

Background

IKEA signed with the BWI (formerly: IFBWW) one of the first international framework agreements (IFAs) in May 1998. This IFA has been revised in 2001 to include the internal IKEA code of conduct (IWAY) which had been developed since 1999. The IWAY code of conduct is in the first instance directed towards IKEA suppliers (including the IKEA-owned Swedwood company) and addresses environmental concerns, as well as social and labour relations issues.

The first problems with environmental requirements hit IKEA in the mid-1980s, when Denmark introduced a law regulating maximum formaldehyde emissions. Being one of the largest furniture companies operating in Denmark at that time, IKEA became the focus of an aggressive public campaign and sales dropped temporarily by 20% in the Danish market.⁸ In 1992, the same thing happened in Germany, a second very important market for IKEA. The lacquer on the famous Billy bookshelves contain formaldehydes, and the company had to stop sales of Billy bookshelves worldwide.

⁷ IKEA EWC Agreement, No. 15, 1999.

⁸ *The natural step. IKEA case study*, Zurcher, J., 1999.

As a consequence, the IKEA management overhauled the entire purchasing and supply process to achieve better environmental results. Sustainability and social values received much more attention in the economic system of IKEA.

The experiences from environmental conflicts and drastic customer reactions, together with the core values of the owner and the top management and the BWI, are reflected in the IKEA 'IWAY' Code of Conduct.

Besides the IWAY, which is mainly directed towards suppliers, there are also guidelines for internal behaviour and human resource management.

The IKEA 'IWAY'

The year 2000 saw the introduction of the Code of Conduct, 'The IKEA Way on Purchasing Home Furnishing Products' – short 'IWAY'. It contains the minimum requirements on environmental standards, as well as on social and working conditions which IKEA requires of its suppliers (including its own production units organised under the Swedwood company with more than 12,000 employees worldwide).⁹

The Code of Conduct is based on several international conventions, including the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration of June 1998 and the Rio Declaration on Sustainable Development 1992 and the Fundamental Principles of Human Rights, laid down by the Universal Declaration of Human Rights (United Nations, 1948). IKEA's requirements of its suppliers are divided into three main categories: 'outside environments', social and working conditions (including child labour) and merchandise of wooden goods.

The social and working conditions section states that the IKEA suppliers must:

- provide a healthy and safe working environment;
- pay the legal minimum wage or the local industry standard;
- compensate for overtime;
- ensure reasonable privacy, quietness and personal hygiene, if housing facilities are provided.

Suppliers must not:

- make use of child labour;
- make use of forced or bonded labour;
- discriminate;
- use illegal overtime;
- prevent workers from associating freely with any worker's association or group of their choosing, or from collective bargaining;
- accept any form of mental or physical disciplinary action including harassment.

⁹ See the brochure *The IKEA Way on Purchasing Home Furnishing Products (IWAY)*, IKEA Services AB, 2005.

With respect to environmental protection, suppliers must:

- 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 used products.

Suppliers must not:

- use or exceed the use of substances forbidden or restricted in the IKEA list of 'Chemical compounds and substances'.

The wooden merchandise section requires suppliers to:

- use wood from known areas;
- where possible, use wood from sources that are well managed and preferably independently certified as such.

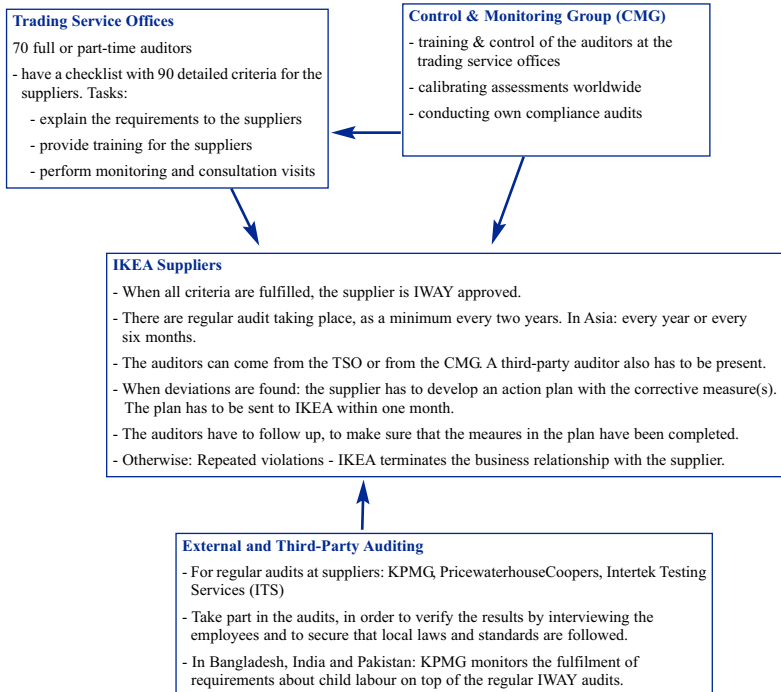
Suppliers must not:

- use wood originating from natural parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

An important aspect of the IWAY standard is that the subcontractors also have to comply with the requirements. All first-level subcontractors are directly included. They have to undergo an auditory process and explicitly accept and comply with the IWAY standards.

The auditing process, in order to ensure that the IWAY requirements are being fulfilled, has the following structure.

Figure 4: *Structure of the IWAY auditing process*



Source: *Wilke et al.*

Motives and drivers of CSR

IKEA and BWI signed the first agreement on the promotion of workers' rights at IKEA wood suppliers in May 1998. This process was initiated by the Nordic Federation of Building and Wood Workers and the Swedish Wood Workers' Union (now the Forestry and Wood Workers' Union).

A revision of this first IKEA/BWI agreement for wood suppliers was carried out in December 2001 to include references to this new company Code of Conduct, The IKEA Way on Purchasing Home Furnishing Products, IWAY.

The primary motives on the part of IKEA management derived from:

- good experience of cooperation with BWI;
- customers' expectations;
- the need to confirm the internal culture and values centred on creating a better everyday life.

IKEA summarises its philosophy as follows:

*'The IKEA business idea is to offer a wide range of well designed, functional home furnishing products at a low price – but not at any price. We strive to offer good quality home furnishings that are manufactured under acceptable working conditions by suppliers who care for the environment.'*¹⁰

¹⁰ IKEA, *Social and environmental responsibility*, 2005.

With the development of a global framework agreement, the BWI is becoming more relevant not only to developing countries but also to developed countries. International solidarity, for vast numbers of unions in developed countries, is seen primarily as political or moral support to unions in developing countries. Globalisation has changed the landscape of industrial relations, with more and more workers being employed directly or indirectly by MNCs. The BWI is evolving not only as an organisation for delivering solidarity but also as one that is directly involved in industrial relations at the global level.

In introducing the IWAY code of conduct IKEA established a Compliance Organisation at IKEA Group level for the auditing of IKEA suppliers. The Social and Environmental Affairs unit reports directly to Anders Dahlvig, CEO.

Given the large number of products and suppliers, it was not possible for IKEA to introduce the IWAY standards immediately. The process continues with nearly 100,000 corrective actions since it commenced. Sometimes suppliers have to be audited two or three times. IKEA tries to help suppliers in investing in better production facilities to improve the productivity and profitability of the supplier company. However, the price of purchasing goods will not change.

‘For some of our suppliers, living up to the minimum IKEA Group demands is a big challenge. In these cases, IKEA and the supplier work out an action plan. How long it takes depends on the nature of the issue. If the supplier is unable or unwilling to make changes, the relationship will come to an end. The IKEA Group helps suppliers improve operations through a network of Trading Service Offices. An internal support and monitoring group follows up developments on a global basis. This work is verified by KPMG, Intertek Testing Services (ITS) and PricewaterhouseCoopers.’¹¹

The EWC plays no relevant role in monitoring the IWAY. The representative is informed regularly on the company policy and the results in monitoring and improving the supply chain.

To sum up, one can say that the IFA was in 1999 and 2000 an agreement which underlined a joint understanding that there was an urgent need to introduce new rules and values in the IKEA purchasing system requesting the large number of IKEA suppliers to fulfil a common set of basic requirements which inside IKEA were developed in the IWAY code of conduct.

By now, the company actively uses the IWAY. There is no attempt to ‘use’ the IFA for more than the purpose of information and exchange on monitoring practices with the BWI.

Contents and role of actors

IKEA implemented the code of conduct since 1999 according to the demands set out in ‘The IKEA Way on Purchasing Home Furnishing Products’. IKEA states that its own staff at 43 trading offices around the world work closely with suppliers to implement the IWAY and to correct violations. Some 80 trained auditors carry out audits and establish action plans based on non-compliance. The auditors play an active part in the corrective measures taken by suppliers. Numerous re-audits follow each action plan. According to IKEA, more than 100,000 corrective measures have taken place at IKEA’s 1,300 suppliers in 55 countries and more than 50,000 corrective measures are in progress. IKEA also uses third-party auditing companies to carry out audits of suppliers and to verify working methods and results.

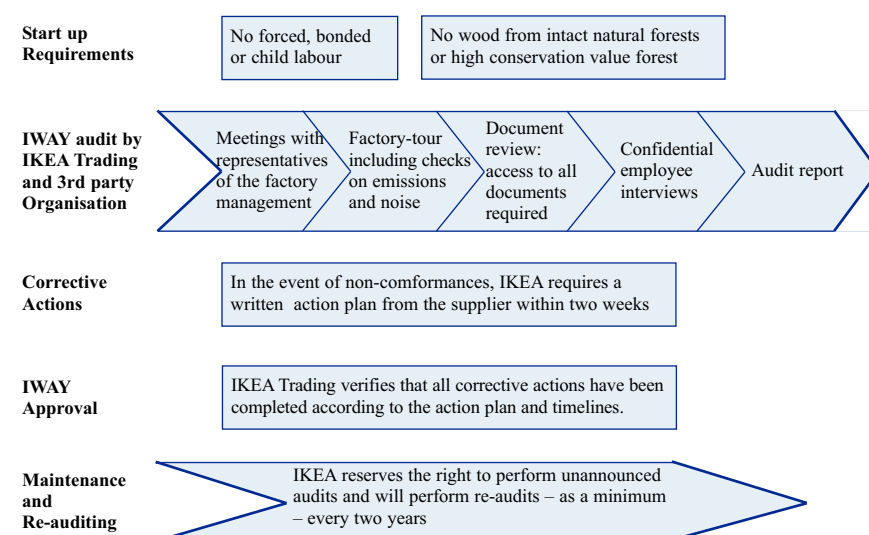
¹¹ IKEA web page on IWAY Code of Conduct, available at:
http://www.ikea.com/ms/en_us/about_ikea/social_environmental/the_ikea_code_conduct.html

From the outset, IKEA has revised the IWAY documents and requirements for their suppliers of home furnishing products several times. The most recent set of documents is from 2005.

IKEA management, supported by external consultants, took the lead role in the process. The IWAY reflects the company's interest to improve step by step the environmental and social standards under which products sold by IKEA are produced. Therefore, the IWAY includes more than the ILO core labour standards, defining also environmental standards, health and safety at the workplace and standards for sustainable forestry.

The main burden in improving these standards and fulfilling these requirements is shouldered by the numerous IKEA suppliers. The experience shows that some of the suppliers have difficulties in meeting the IKEA standards. Crucially, IKEA has the purchasing power to force suppliers to fulfil the required standards and the company tries to help its suppliers to improve working and production conditions.

Figure 5: IWAY approval process



Source: Wilke et al.

Even critics attest that IKEA is really trying to improve the situation. However, the progress seems too slow for them. In the IKEA report on social and environmental responsibility, Greenpeace has stated: 'IKEA deserves praise for the work of phasing out hazardous substances in its products. We have also found that the work on forestry issues is pursued with great commitment and know-how. But we have in some cases been disappointed in IKEA ... and the work of implementing demands on environmental care and improvement of working conditions at the supplier and subcontractor level should be speeded up.'¹²

Summing up, one can say that the IWAY is mainly a means of addressing the critical issues of working conditions, environment and sustainable forestry with all IKEA suppliers. The minimum requirement for suppliers is to fulfil domestic legislation. In some matters the internal standards go beyond this. A general rule is that in this case the higher standard has to be fulfilled.

¹² Ute Bellion, Greenpeace International, in IKEA, *Social and environmental responsibility*, 2005, p. 31.

Table 3: *Basic features of the IKEA codes of conduct*

Features	Data
Name of the document	IFA and IWAY Code of Conduct
Original date of signature	IFA: 1999, revised 2001
Signatory parties	For IFA, BWI and Management
References	For IFA, ILO; for IWAY, internal standards including ILO norms
Contents	Auditing regulations for suppliers
Scope	Mainly suppliers and Swedwood
Monitoring and reporting	Yes, very intense
Dissemination and training	Yes
Dispute settlement	No, but corrective action process with suppliers
Duration	Unlimited, permanent improvements

Source: *Wilke et al.*

Implementation and monitoring

There are two different levels of enforcement and monitoring. Internally, the above-described auditing system with internal and external auditors operates permanently, guaranteeing that all suppliers are constantly supervised.

A second mechanism for monitoring the IFA is the introduction of a joint reference group - consisting of Kjell Dahlstrom, President of the Swedish Forestry and Wood Workers' Union, as representative of the NFBWW and Marion F. Hellmann from the BWI Secretariat, and of IKEA representatives. The task of this group is not to monitor working conditions or measure the dust and noise levels in different supplier companies and countries. Rather, it is to assist the development of IKEA standards and management systems for ensuring the implementation of internationally accepted labour standards and to develop good industrial relations between the suppliers and the BWI member unions. In recent years this monitoring group paid visits to suppliers in Slovakia, Hungary, Malaysia, Romania, Poland, Thailand, Laos and China.

The IKEA Group and the BWI visited Beijing in late March 2003. This initiative was taken following the results from Code of Conduct audits of IKEA suppliers in China. The IKEA Group introduced its Code of Conduct, 'The IKEA Way of Purchasing Home Furnishing Products' on 1 September 2000 and since then extensive development and auditing of all IKEA suppliers have taken place, including in China. The audits performed by the five IKEA Trading Offices and the IKEA compliance team in cooperation with third parties identified some specific difficult issues where special efforts are needed to improve the situation. More specific issues, such as excessive working hours, lack of overtime compensation and poor handling of hazardous waste, were among those addressed during the visit. Meetings were held with the Beijing Municipal Labour and Social Security Bureau, the China Enterprise Confederation, the Chinese Association of Environmental Protection Industry and the All-China Federation of Trade Unions to address the difficult issues and to discuss different views of the problems. The outcome of the meetings and visits was a better common understanding of the laws, practices and problems, and some creative ideas on how to establish some 'Good Examples' involving all important stakeholders. IKEA started a project at five suppliers in South China with the aim of reducing working hours and increasing productivity without reduction of wages. The BWI attended an IWAY audit in China. The IWAY audits showed that the number of non-compliances significantly decreased during 2004. Still, the supplier needs to deal with issues such as a further reduction of working time and an insurance plan for all employees.

Since 1998, the BWI has received complaints on violations of the IWAY from affiliates in Thailand, Malaysia, the United Kingdom, the United States, Canada and the Netherlands. Most of the complaints make reference to ILO Conventions

87 and 98, on the right to organise and collective bargaining, which are not respected by IKEA suppliers. The complaints have been followed up by the IKEA management.

The Dutch trade union confederation FNV undertook research on IKEA in order to obtain a general picture of the company. The FNV concluded that IKEA did not provide enough public information and lacks transparency about the implementation of the IWAY standards, to what extent they are put into practice, and how compliance is monitored. The study concludes: ‘The case studies in India, Bulgaria and Vietnam, although showing a different situation, make it clear that there are still numerous violations of IKEA’s code of conduct in all three countries in all factories researched.’ IKEA, the FNV, the Dutch research institute SOMO and the Global Union Federations BWI and ITGLWF met on 27 August 2003 to discuss the findings of the report. IKEA stated that the results of the research came as no surprise to them, as a result of IKEA’s own audit system, and that these problems are not specific to IKEA suppliers or any particular industry. Some issues will take time to resolve, because they require fundamental changes to society in certain countries. This is definitely true of the situation in countries like China.

Outcomes and impact

In the IKEA case, the IFA together with the environmental problems, provided the catalyst to develop the IWAY code of conduct. The difference between both is very clear: the IFA is simply a political statement. The IWAY is a very practical and for all IKEA suppliers highly relevant document, defining production standards which must be fulfilled to become a supplier for IKEA.

In practice, the code of conduct is the more important instrument for the suppliers and the BWI. All agreements on monitoring are based on the IWAY.

The unions expressed their appreciation for IKEA’s efforts to improve working conditions at suppliers so far, but also pointed to the fact that IKEA’s system is not transparent enough and that trade unions must be more involved in monitoring and verification at the workplaces.

The IKEA/BWI reference group meets regularly, at least twice a year, to exchange experiences on working conditions and social responsibility. The joint work programme covers the following issues:

- IKEA invited the BWI to assist in the improvement of working conditions for Chinese workers at their supplier companies located throughout China. This is within a current project on overtime reduction and increasing productivity carried out by the British consultancy Impact.
- IKEA invited BWI affiliates in Malaysia, Indonesia, Bulgaria and Romania to participate in a compliance audit in each country, so as to gain knowledge and understanding of the IWAY process and procedures. IKEA is continuing to develop its present auditing procedures in a dialogue with the BWI.
- IKEA will become more transparent about auditing procedures and results. In 2004, IKEA published its first *Social and Environmental Report*, for 2003, and the report for 2005 has now also been published. However, IKEA will not give out general supplier information, e.g. supplier lists, for legal and competitive reasons.

A good example of working together with IKEA within the framework of the IFA is the situation in Poland. Swedwood, IKEA-owned companies and the Polish and Swedish BWI member organisations started a social dialogue project in 2002 with the objective of establishing sound industrial relations and trade union representation at the company level in Poland. The unions report that almost all Swedwood factories have been unionised in the meantime. The Polish unions

very much welcomed this management/trade union approach because the unions are able to organise workers and start collective bargaining and are part of a sound industrial relations system.

However, the internal employee representatives – including the EWC – have only minor influence on the IWAY auditing and monitoring process. And because there are rarely complaints on working conditions within IKEA, the internal employee representatives limit their activities concerning the IWAY code of conduct to a regular information policy.

Impact on social regulation and company industrial relations

There is a clear impact from the IWAY process on IKEA purchasing policy, how suppliers manufacture products and IKEA's image as a company. The whole process is put forward with an unusual high commitment on the company's part which might reflect the fact that IKEA is very vulnerable to negative press comments or reportage. However, it is also a result of a responsible and open corporate culture which tries to improve things step by step. The group president Anders Dahlvig admits that IKEA can not really guarantee that all products are manufactured under socially acceptable working conditions, but stated 'I can guarantee that we will work hard to create good conditions for our suppliers' employees, take an active role in environmental work and reduce our production costs so that ordinary people can afford to shop at IKEA.'¹³

The impact of IWAY affects IKEA's purchasing policy, as does the auditing process of the conditions of production on the supplier side. They normally do not influence wages or industrial relations. The impact is mainly on the supplier.

General assessment and prospects

Compared with other IFAs and codes of conduct, IKEA's IWAY is in fact a far-reaching and serious approach to taking environmental and social responsibility for the products produced and sold by IKEA. Because IKEA does not produce most of the products itself but buys them worldwide, the problem largely consists of setting the right standards for suppliers and improving them step by step.

As IKEA relies on the national standards (wages, employment laws, etc), the IKEA code of conduct for suppliers still can be criticised for accepting low standards, for example in China (on questions like working time, freedom of association and trade union rights, etc).

Steps for further improvement of the process include on the one hand the attempt to constantly raise the national standards in the suppliers' factories and in their home countries. On the other hand, the IKEA management foresees good opportunities to extend the IWAY approach also to other major furniture companies, i.e. trying to develop a joint list of criteria for purchasing goods and services.

This would have consequences on social regulation at branch level. However, the impact on industrial relations seems to be minimal.

¹³ A. Dahlvig, *IKEA Social and environmental responsibility*, 2005, p. 34.

Annexes

Annex 1: Framework agreement between IKEA and the IFBWW

The IKEA Group is one of the world's leading home furnishing companies, with procurement in some fifty countries and retailing in presently twenty-two countries. The IKEA Group is faced everyday with cultural differences and diverse economic and social conditions.

The International Federation of Building and Wood Workers (IFBWW) is an international trade union organisation organising building, wood and forestry workers worldwide. IFBWW's primary task is to promote and protect worker's rights in the aforementioned industries.

Both parties appreciate that the agreement signed in May 1998 between IKEA and IFBWW had the purpose of achieving certain minimum standards based on the ILO Declaration on Fundamental Principles and Rights at Work (eight core conventions). Both parties note that IKEA's wood suppliers' employment terms and conditions have been further expressed and developed into the 'The IKEA Way on Purchasing Home Furnishing Products', IWAY, attached hereto as Annex. 'The IKEA Way on Purchasing Home Furnishing Products' includes provisions mainly based on the UN Declaration of Human Rights, 1948, the ILO Declaration on Fundamental Principles and Rights at Work (eight core conventions), 1998, and the Rio Declaration on Sustainable Development, 1992.

IKEA wants to influence and support their suppliers to achieve the requirements stated in 'The IKEA Way on Purchasing Home Furnishing Products'. A contract based on 'The IKEA Way on Purchasing Home Furnishing Products' has been introduced worldwide and is being implemented in relation to all suppliers of IKEA products. IKEA has established a compliance organisation with the task to support and monitor the compliance work.

Both IKEA and IFBWW appreciate the value of a continued co-operation and henceforth see it beneficial to have a joint group that will meet twice per year, one meeting being organised by IKEA and the other by IFBWW. IKEA will inform IFBWW of the progress of the implementation of the IWAY for advice and comments from the group. Should the IFBWW become aware of any contravention of 'The IKEA Way on Purchasing Home Furnishing Products', IFBWW will report this to the group which will review the matter and propose appropriate measures. Furthermore, the parties will at such meetings exchange general information and experiences within the field of subjects covered by the 'The IKEA Way on Purchasing Home Furnishing Products'.

This agreement fully replaces the agreement signed in May 1998.

Leiden, 17 December 2001
IKEA Services B.V.
Anders Dahlvig

Geneva, 19 December 2001
International Federation of Building and Wood Workers
Anita Normark

Annex 2: The IKEA way on purchasing home and furnishing products

1. Our Code of Conduct

This document ‘The IKEA Way on Purchasing Home Furnishing Products’ is our *Code of Conduct* in our relation with suppliers of products for the IKEA range. The *Code of Conduct* is our minimum requirements on social and working conditions and the environment.

It has been established in order to make the IKEA position clear to suppliers and their co-workers, as well as any other parties.

It is based on the eight core conventions defined in the Fundamental Principles of Rights at Work, ILO declaration of June 1998 and the Rio Declaration on Sustainable Development 1992.

Furthermore, IKEA recognises the Fundamental Principles of Human Rights, laid down by the ‘Universal Declaration of Human Rights’ (United Nations 1948).

We believe that our daily business has an impact on environmental and human rights issues, in particular, in relation to people’s working and living conditions.

A complete specification of our minimum requirements is stated in the IWAY Standard document.

2. The IKEA concept in a nutshell

Our vision

To create a better everyday life for the many people.

Our business idea

We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

This shall be achieved through:

- a rational product range development and by adapting product design to production conditions,
- a rational distribution idea in combination with a caring meeting with the many people,
- a strict cost-consciousness in all areas.

3. Customers and suppliers in focus

We have decided once and for all to side with the many. This is an objective that carries obligations.

We want to offer our customers low prices for well-designed and functional home furnishing products of good quality, manufactured under acceptable working conditions by suppliers that care for the environment.

IKEA is a production-oriented retailing company. We strive to build long-term relationships with suppliers that share our commitment to promote good practices, and who want to grow and develop together with IKEA.

Suppliers can expect from IKEA:

- to be reliable,
- to adapt our products to production,
- to contribute to efficient production,
- to care for the environment,
- to support material and energy saving techniques,
- to take a clear standpoint on working conditions,
- to respect different cultures,
- to have clear and mutually agreed commercial terms.

4. Producing for IKEA includes the following requirements

Legal requirements

Suppliers must comply with national laws and regulations and with international conventions concerning Social & Working Conditions, Child Labour and the protection of the Environment.

Social & working conditions

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

Suppliers must:

- provide a healthy and safe working environment,
- pay at least the minimum legal wage and compensate for overtime,
- if housing facilities are provided, ensure reasonable privacy, quietness and personal hygiene.

Suppliers must not:

- make use of child labour (see Annex 1),
- make use of forced or bonded labour,
- discriminate,
- use illegal overtime,
- prevent workers from associating freely with any workers' association or group of their choosing or collective bargaining,
- accept any form of mental or physical disciplinary action, including harassment.

Environment and forestry

At IKEA, we shall always strive to minimise any possible damaging effects to the environment, which may result as a consequence of our activities. Therefore, IKEA and its suppliers shall continuously reduce the environmental impacts of operations.

Suppliers must:

- 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.

Suppliers must not:

- use or exceed the use of substances forbidden or restricted in the IKEA list of ‘Chemical compounds and substances’,
- use wood originating from national parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

5. Implementation

The supplier shall effectively communicate to all its sub-suppliers, as well as to its own co-workers, the content of the “The IKEA Way on Purchasing Home Furnishing Products”, and ensure that all measures required are implemented accordingly. Via a network of Trading Service Offices, IKEA supports their suppliers to improve their operations. Believing in long-term relationships, IKEA does not break off relations due to non-compliance only, as long as there is a willingness to improve in the right direction with an agreed plan of action to comply with the IKEA requirements within an acceptable time frame. Repeated violations of IKEA’s requirements will result in the termination of the cooperation.

6. Support and monitoring

The IKEA Trading Service Offices have the direct responsibility to support and monitor the suppliers. To ensure compliance with the requirements, IKEA has also formed a global compliance and monitoring group in order to support and follow up developments on a global basis.

IKEA always reserves the right to check suppliers with the help of independent organisations.

Peter Wilke (Wilke, Maack und Partner, Germany), with **André Sobczak** (Audencia Nantes École de Management, France) and **Isabelle Schömann** (ETUI-REHS, Belgium)