



Comments on the FNV report on labour conditions in IKEA's supply chain in India, Bulgaria and Vietnam.

IKEA has reviewed the report presented by FNV. Most of the findings in this FNV report confirm what we already know as a result of IKEA's own audit system. The problems FNV points to are not specific for IKEA suppliers or any specific industry. Some issues will take time to solve, because they require fundamental changes to society in certain countries. This FNV report clearly emphasises the importance of IKEA's code of conduct and its implementation, even if many difficult issues remain to be solved.

IKEA believes that good working conditions, together with measures taken for the protection of the outside environment at our suppliers, are essential and a prerequisite for doing good business. We are convinced that long-term commitment and close co-operation with our suppliers is the way forward to improve working conditions. Our code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY), was introduced in 2000.

In the past three years, we have found many violations to our code of conduct concerning severe and difficult issues, which largely correspond to the findings in the FNV report. These issues include severe violations in areas such as working hours, payment systems, overtime compensation, social insurance, bonded labour and the right to form trade unions at the suppliers, but also areas such as handling of hazardous waste and chemicals.

IKEA's own staff at 43 trading service offices around the world works closely with suppliers to implement our code of conduct and correct violations. Some 80 trained auditors make audits and establish action-plans based on non-compliance. The auditors take active part in the corrective actions at the suppliers. Complex issues can take months or even years to solve, while other corrective measures can be put in place within days (e.g. to equip workers with protection gear) or even within hours (e.g. to unlock emergency exits and to clear blocked escape-ways). Numerous re-audits follow each action-plan. So far, more than 20,000 corrective actions have taken place at IKEA's 1,600 suppliers in 55 countries. More than 50,000 corrective actions are in progress.

The "Compliance and Monitoring Group", a part of IKEA Group staff Social and Environmental Affairs, is responsible for internal auditing of the compliance work at the trading service offices world-wide. In addition to this, IKEA uses external and independent third party auditing companies to make actual audits at suppliers and to verify working methods and results. IKEA has made the interviewing of workers at suppliers an important part of the third party audits. These third party auditing companies are KPMG, PricewaterhouseCoopers and ITS (Intertek Testing Services).

IKEA's code of conduct, IWAY, is available on the Internet. In spring 2004, IKEA will publish its first report about Social & Environmental issues. This report will include IWAY audit results and it will be updated annually.

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