

**PURPOSE OF PROJECT**

The overall purpose of the Green Vendor Development Program is to facilitate the greening of IKEA’s supply chain. As a first step, the concept phase has been designed to promote two of IKEA’s textile vendors to use cleaner technologies, processes, raw materials and equipment. These measures aim to enhance their productivity and environmental performance and will help to build IKEA’s global sustainable supply chain initiatives.

The specific objectives of the Green Vendor Development Program are to:

1. Incorporate energy efficiency and environmental performance improvements as key focus areas in the production process of the selected vendors
2. Integrate resource conservation in the manufacturing process
3. Integrate waste minimisation and lean production practices
4. Assess the environmental impact of resource use, including the carbon footprint of the vendor
5. Develop an action plan for improving resource conservation and for GHG mitigation.

**DESCRIPTION OF THE PROJECT**

The initial concept phase (January–May 2012) provides a blueprint for the greening of selected IKEA vendors in India. In this phase, the Institute for Industrial Productivity and its partner the National Productivity Council (NPC) is assisting two representative IKEA vendors in identifying measures and in developing a detailed action plan for energy saving, environmental improvement and GHG mitigation. In the implementation phase (June 2012–February 2013), IIP and NPC will provide the necessary technical (and financial, if needed) backstopping support to assist these vendors to implement the measures identified and prioritised in the concept phase. From 2013 onwards, subject to the results of the pilot and the willingness of IKEA and its vendors, IIP intends to work with IKEA in the scaling up of this initiative.

**ACTIVITIES UNDERTAKEN**

In order to assist IKEA’s vendors to adopt a low carbon growth path, detailed energy and environmental assessments were carried out for selected representative IKEA vendors. These assessments were then used to develop a prioritised action plan for each vendor to help them make investment decisions to improve their resource use efficiency, which will have a corresponding impact on their carbon footprint. The following specific activities were planned under this initiative:

**Energy Audits** The energy audits provided an in-depth assessment of energy consumption patterns and practices, the technologies employed, resource-intensive sub-processes, energy conservation potential and a technology gap assessment within individual vendor units. The outcome of the audit identified resource conservation opportunities, along with cost-benefit analyses of various measures.

**Environment Audits** The environmental audit included an assessment of material sourcing and substitution, waste minimisation, reuse and recycling options. The use of raw material, particularly yarn and chemicals, was analysed to identify the possibility of conservation/greening.
Greening of the Supply Chain
The Institute for Industrial Productivity in India Partners with IKEA

**Benchmarking** Having established the current level of performance, the next step was to focus on developing the standards/norms for performance improvement, known as ‘benchmarks’. A comparative analysis of the performance of similar industries (as applicable) was also attempted with a view to assess the extent of improvements possible in these units. Emissions and effluents were also compared with the existing applicable national environmental benchmarks as are defined by the Government of India’s environmental regulations.

**Action Plan** Having established the benchmarks, the practices that would lead to better performance on a continuous basis were identified and were discussed with plant managers to arrive at a prioritised action plan for implementation. Specific measures identified through the audits were recommended along with their financial feasibility (cost of measure, anticipated savings, and simple payback period). Wherever applicable, suppliers of the recommended equipment/systems were also suggested.

**NEXT STEPS**
Having developed the action plan, discussions are underway with the vendors to determine their willingness and interest in implementing the recommended measures.

**Implementation Support** Depending on the interest of IKEA and its vendors, from June 2012 to February 2013, IIP and NPC will provide backstopping support to vendors in helping them implement these action plans. Once the measures are implemented and the system performance stabilises, post-implementation energy and environment audits will be carried out to evaluate the results and quantify the direct benefits as well as co-benefits.

**Up-Scaling throughout India, South East Asia, and Globally**
Depending on the success of the pilot phase, IKEA and IIP express their intent to upscale this initiative.

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**STAKEHOLDERS AND PARTNERS**

**The Institute for Industrial Productivity (IIP)**, the project designer and catalyst operates globally with regional teams in China, India, Europe and the U.S. and is dedicated to increasing industrial energy productivity. IIP initiates pilots and then seeks solutions for scaling up energy efficiency applications. IIP has signed a MoU with IKEA Trading (Hong Kong) Ltd for this initiative.

**IKEA**, the project host is known for international, low-cost household products and furnishings. The company has more than 250 retail outlets across the world. IKEA has already initiated several supply chain projects and requests suppliers to comply with its code of conduct known as IWAY.¹

**The National Productivity Council (NPC)**, the energy and environmental auditing consultant is a national institution set up in 1958 by the Ministry of Industry, Government of India, to promote productivity and quality consciousness in the Indian industry.

**Participating Units** two of IKEA’s textile vendors (one in Southern India and the other in Northern India) were selected for piloting this initiative.

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